SUGAR

Report to the President on Investigation No. 22-41 Under Section 22 of the Agricultural Adjustment Act, as Amended

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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CONTENTS

CONTENTS

CONTENTS

Figures

CONTENTS

Tables

CONTENTS

REPORT TO THE PRESIDENT

United States International Trade Commission,
April 17, 1978.

To the President:

Pursuant to your requests of November 11, 1977, and January 20, 1978, the United States International Trade Commission has conducted an investigation (No. 22-41) under subsection (a) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), with respect to sugar and certain sugar containing articles. The purpose of this investigation was to determine whether--

> Sugars, sirups, and molasses provided for in items 155.20 155.30, 155.35, and 155.75 of the Tariff Schedules of the United States (TSUS), and articles provided for in items 156.25, 156.45, 157.10, and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS,

are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane or sugar beets.

The Commission instituted its investigation on November 23, 1977, and enlarged it on January 26, 1978. Notices of Investigation and Hearings were published in the Federal Register of November 30, 1977 (42 F.R. 60961) and January 31, 1978 (43 F.R. 4126). Public hearings were held on January 4, 1978, in New Orleans, La., on January 17, 1978, in Minneapolis, Minn., and on February 27 and 28, 1978, in Washington, D.C.

The information for this report was obtained at the public hearings; from written briefs submitted by interested parties; through interviews by members of the Commission's staff with sugar growers, processors, refiners, importers, and customs officials; from other Federal agencies, State agencies, and State universities; from responses to questionnaires sent to domestic corn sweetener producers; and from the Commission's files.

Findings

On the basis of the investigation--

(1) The Commission unanimously finds that sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the TSUS, are being or are practically certain to be imported into the United States under such conditions and in such quantitites as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets.

(2) With respect to sugars, sirups, and molasses, provided for in items 155.35 and 155.75 of the TSUS and articles provided for in items 156.25, 156.45, 157.10, and 182.98 of the TSUS, if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS--

(a) Chairman Minchew and Commissioner Alberger find that such articles are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets;

(b) Commissioner Ablondi finds that such articles are not being and are not practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets; and

(c) Vice Chairman Parker and Commissioners Moore and Bedell make no finding.

Recommendations

I. <u>With respect to sugars, sirups, and molasses provided for in items 155.20 and 155.30 of the TSUS</u>

<u>Chairman Minchew, Vice Chairman Parker, and Commissioners Bedell and Alberger</u> recommend, pursuant to the provisions of section 22 of the Agricultural Adjustment Act, as amended, that, in lieu of Presidential Proclamation 4547, dated January 20, 1978, the President issue a proclamation establishing the following--

(1) For sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the TSUS, if imported for human consumption or for the commercial extraction of sugar:

(a) If to be further refined or improved in quality: A fee of 3.6 cents per pound, but not to exceed the statutory limit of 50 percent ad valorem; and

(b) if not to be further refined or improved in quality: For calender year 1978, and each calendar year thereafter, quantitative limitations in an aggregate quantity of 40,000 short tons, raw value;

(2) Whenever, for a period of twenty (20) consecutive calendar days, the simple average U.S. price of sugar, as determined by the Secretary of Agriculture, expressed in terms of 96 degree raw sugar equivalent, is 1 percent or more below the price-support level (adjusted for interest and storage charges accruing under the price-support program) established by the Secretary of Agriculture, quantitative limitations on such articles in lieu of recommendation (1), as follows:

(a) Chairman Minchew and Commissioner Alberger recommend that the President establish quantitative limitations pursuant to Headnote 2 of Subpart A, Part 10, of the TSUS; and

(b) Vice Chairman Parker and Commissioner Bedell recommend, pursuant to section 22 of the Agricultural Adjustment Act, as amended, aggregate quantitative limitations for calendar year 1978 of 3,100,000 short tons, raw value, and for each calendar year thereafter, 4,275,000 short tons, raw value, with such quantities to be adjusted if necessary to achieve the price support level then in effect; and

(3) allocation of quantitative limitations on such products of various countries taking into account the provisions of Article XIII of the General Agreement on Tariffs and Trade, and, when effective, the International Sugar Agreement 1977.

Commissioner Moore recommends that, in lieu of the emergency import fees imposed by Presidential Proclamation 4547, dated January 20, 1978, the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, establishing effective January 1, 1978, quantitative limitations on sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the TSUS, as follows:

> For calendar year 1978, an aggregate quantity of 3,100,000 short tons, raw value, and for each calendar year thereafter, an aggregate quantity of 4,275,000 short tons, raw value.

Commissioner Moore further recommends that such quantitative limitations be allocated to such products of various countries taking into account Article XIII of GATT and in a manner consistent with the provisions of the International Sugar Agreement, when such Agreement is effective.

Commissioner Ablondi recommends that the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, establishing effective on the date of the proclamation quantitative limitations on sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the Tariff Schedules of the United States (TSUS), in the aggregate quantity of 4,700,000 short tons, raw value, for the 12-month period beginning on the date of the proclamation and, subject to review by the United States International Trade Commission, for each 12-month period thereafter.

Commissioner Ablondi further recommends that the annual aggregate quantity specified above should be allocated on the basis of transferable import licenses to be auctioned by the Secretary of Agriculture from time to time as appropriate under such regulations as the Secretary of Agriculture shall prescribe, such regulations to provide for the equitable distribution of imports among importers.

II. With respect to sugars, sirups, and molasses, provided for in items 155.35 and 155.75 of the TSUS and articles provided for in items 156.25, 156.45, 157.10, and 182.98 of the TSUS, if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS--

Chairman Minchew and Commissioner Alberger further recommend that the proclamation to be issued in lieu of Proclamation 4547 establish quantitative limitations 1/ on certain additional sugar containing articles as follows:

(a) Sugars, sirups, and molasses provided for in item 155.35 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 3 million gallons.

1/ To be allocated on the basis described in Commission recommendation (3) above.

(b) Sugars, sirups, and molasses provided for in item 155.75 of the TSUS, except thick soy sauce imported as molasses; for calendar year 1978 and for each calendar year thereafter, quantitative limitations in an aggregate quantity of 4 million pounds.

(c) Sweetened chocolate provided for in item 156.25 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 3 million pounds.

(d) Sweetened cocoa provided for in item 156.45 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 600,000 pounds.

(e) Candy and other confectionery provided for in item 157.10 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 150 million pounds.

(f) Edible preparations provided for in item 182.98 of the TSUS; if containing over 10 percent sugar by weight, except articles within the scope of other import restrictions pursuant to section 22 of the Agricultural Adjustment Act, as amended; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 50 million pounds.

Vice Chairman Parker and Commissioners Moore, Bedell, and Ablondi make no recommendations for import restrictions on these articles.

Statement of Vice Chairman Joseph O. Parker
and Commissioners George M. Moore and Catherine Bedell

In this investigation, we have made an affirmative determination under section 22 of the Agricultural Adjustment Act, as amended, that sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the TSUS, are being, or are practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price-support operations of the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets. We have made no determination under section 22 with respect to imports of the other articles covered by this investigation. 1/

In view of our affirmative determination with respect to imports of sugars, sirups, and molasses provided for in TSUS items 155.20 and 155.30, we are recommending, 2/ under the authority of the provisions of section 22, that the President, by proclamation, impose on such articles--

1/ In our opinion, the Commission investigation did not develop sufficient relevant information on which to make a proper determination as to the impact of such imports on the price-support operations in question. In the absence of such information, the making of any determination would be premature. If it appears that there is interference, there is authority under section 22 to take emergency action with respect to the products or to institute further investigations.

2/ See Differing Views of Commissioner Moore on page 20.

(1) If imported for human consumption or for the commercial extraction of sugar:

(a) A fee of 3.6 cents per pound, but not to exceed 50 percent ad valorem; or

(b) If such imported articles are not to be further refined or improved in quality: An aggregate annual calendar year quota of 40,000 short tons, raw value, beginning with calendar year 1978;

(2) Subject to a triggering standard or mechanism, quantitative limitations as follows in lieu of recommendation (1):

For calendar year 1978: 3,100,000 short tons, raw value; and

For each calendar year thereafter: 4,275,000 short tons, raw value, to be adjusted if necessary to achieve the price support level then in effect; and

(3) Allocation of quantitative limitations on such products of various countries taking account of the provisions of article XIII of the General Agreement of Tariffs and Trade and, when effective, the International Sugar Agreement.

Background

The present investigation under section 22 of the Agricultural Adjustment Act, as amended, is the second investigation relating to sugar conducted by the Commission in the last 2 years. In March 1977, the Commission transmitted to the President its determination in an investigation with respect to sugar conducted under section 201 of the Trade Act of 1974. That investigation was instituted after receipt of a resolution from the Senate Committee on Finance requesting the investigation. The investigation was made to determine whether sugars, sirups, and molasses, derived from sugar cane or sugar beets and various types of flavored and unflavored sugars and blends of sugars were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry. The Commission found that imports of articles under 155.20 and 155.30 were a substantial cause of threat of serious injury and unanimously recommended quantitative limitations as necessary to prevent the threat of serious injury found to exist. As stated in our views, it was our judgment that a quota of 4.275 million tons would provide a supply of sugar which would reflect an estimated price for domestic raw sugar of 13.5 cents per pound. The President did not put that recommendation into effect.

Since that recommendation, legislation mandating a price-support program for the 1977 and 1978 crops of sugar cane and sugar beets has been enacted, and the President has increased the duty and imposed fees on imported sugar. A new International Sugar Agreement has also been negotiated.

The present Commission investigation is being conducted under section 22 of the Agricultural Adjustment Act with different statutory criteria and objectives than the previous investigation under section 201. The investigation was instituted by the Commission on November 23, 1977, upon the receipt of a letter from the President which directed the Commission to make an immediate investigation under section 22 of the Agricultural Adjustment Act, as amended. In his letter of January 20, 1978, the President directed that the Commission enlarge the scope of its investigation to include, in addition to sugars, sirups, and molasses provided for in items 155.20 and 155.30 of the TSUS, various sugar-containing products.

Thus, in this investigation, the Commission is directed to determine whether imports of sugar provided for in the TSUS items listed by the President are being, or are practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price-support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets.

The price-support program of the Department of Agriculture

The price-support operation presently being conducted by the Department of Agriculture is a sugar loan program required by section 902 of the Food and Agriculture Act of 1977 (7 U.S.C. 1446) which was enacted September 29, 1977, and provides, in part, as follows:

> The price of the 1977 and 1978 crops of sugar beets and sugar cane, respectively, shall be supported through loans or purchases with respect to the processed products thereof at a level not in excess of 65 per centum nor less than 52.5 per centum of parity therefor: Provided That the support level may in no event be less than 13.5 cents per pound raw sugar equivalent.

With respect to section 902, the joint explanatory statement of the committee of conference states:

> The *Conferees* intend that the processed products of sugar cane and sugar beets shall not be sold by the Commodity Credit Corporation at less than 105 percent of the current support price, plus reasonable carrying charges. It is not expected, however, that any outlay of CCC funds will be required, or that there will be any acquisition of products of sugar cane or sugar beets. The *Conferees* expect that the Executive branch will utilize existing authority of law to implement immediately upon the bill becoming law an import fee, or duty, which--when added to the current import duty--will enable raw sugar to sell in the domestic market at not less than the effective support price. 1/

On November 8, 1977, the Secretary of Agriculture announced regulations for the 1977 sugar crop loan program. 2/ Under the present program, the Commodity Credit Corporation offers loans to sugar processors at the rate of 14.24 cents per pound of refined beet sugar and 13.50 cents per pound of cane sugar, raw value, but only for sugar processed from sugar beets and sugar cane grown by producers who pay their employees minimum wage rates as specified by the Secretary of Agriculture. Under the regulations of the Secretary, the processors are eligible for loans on "the condition that they pay producers no less than the applicable support price for the unprocessed commodity and agree to store the processed commodity during the loan period . . . ." The regulations contain other requirements with respect to storage and redemption of the sugar.

1/ Food and Agriculture Act of 1977, Conference Report, H. Rept. No. 95-559 (95th Cong., 1st sess.), 1977, p. 174.
2/ 42 F.R. 58731.

The imposition of fees and increased duty by the President

In November 1977, the world price of raw sugar was less than 8 cents per pound. In order to prevent interference with the price-support program of the Department of Agriculture which had just been put into effect, the President, on November 11, 1977, under emergency authority in section 22 of the Agricultural Adjustment Act, imposed variable fees on the importation of sugar. 1/ Under a separate authority in headnote 2, subpart A, part 10 of schedule 1 of the TSUS, he also increased the duty on imports of sugar to the maximum extent authorized. 2/ The variable fees imposed under the first proclamation were subsequently replaced by fixed fees. 3/ Presently, therefore, the landed cost of raw sugar imported into the United States is subject to a duty of approximately 2.8 cents per pound and a fee of 2.7 cents per pound, a total of approximately 5.5 cents per pound. Refined sugar imported into the United States is subject to a duty of approximately 3 cents per pound and a fee of 3.22 cents per pound, a total of approximately 6.2 cents per pound.

Interference with the price-support program

In order to determine the effect of import fees and duties upon the domestic price of sugar in terms of raw sugar equivalents, it is necessary to estimate the price at which foreign sugar is available for export to the United States by potential foreign suppliers. To the

1/ Proclamation 4538, 42 F.R. 59037.
2/ Proclamation 4539, 42 F.R. 59039.
3/ Proclamation 4547, 43 F.R. 3251.

extent that it is possible to do so, it is estimated that the current world price for raw sugar is about 7.75 cents per pound. 1/ Adding the present duty of approximately 2.8 cents per pound, the fee of 2.7 cents per pound, and the cost of insurance and freight from greater Caribbean ports of approximately 0.7 cents per pound increases the landed cost of raw sugar to approximately 13.95 cents per pound. This is only slightly above the support price and is below the redemption level of sugar if placed under price-support loan and not redeemed until the end of the marketing year.

The domestic sugar problem is further complicated by the inordinate volume of sugar imported in late 1977 in anticipation of higher fees and duties. After the announcement of the price-support program and prior to the effective date of the increased duties and fees, approximately 1.5 million tons of raw sugar were imported into the United States. Because of the presence of these large stocks of lower priced imported sugar, domestically produced raw sugar is being placed under the loan program. With world production in excess of world consumption, it is practically certain that, given unrestricted access to the U.S. market, foreign producers will undersell domestically produced sugar and force it into the loan program, thereby burdening and interfering with the price-support program.

1/ The price referred to is the London Daily Spot price adjusted for shipment from greater Caribbean ports. It may or may not reflect the actual price of raw sugar offered by a particular producing country.

The conditions affecting refined sugar also threaten the U.S. sugar industry. Currently, refined sugar is available in world markets at prices almost as low as that of raw sugar. After paying the duties and fees currently in effect, refined sugar can be imported at prices well below those which will reflect the minimum levels required by section 902.

There is no question but that sugars, sirups, and molasses provided for in items 155.20 and 155.30 are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane or sugar beets in the absence of effective measures which will result in a domestic price equal to or above the price-support level.

Recommendation

Having made an affirmative determination, the following action, which we have recommended, is necessary, in our judgment, to prevent the importation of foreign sugar at such prices and in such amounts from interfering with the price-support program.

Currently, a duty of approximately 2.8 cents per pound, raw sugar equivalent, imposed under headnote 2, subpart A, part 10, schedule 1, of the TSUS is in effect. An import fee on raw sugar in the amount of

2.7 cents per pound, resulting from emergency action taken by the President under section 22, is also in effect. This duty of approximately 2.8 cents per pound and fee of 2.7 cents per pound, in our judgment, will not result in a price to domestic growers equal to or in excess of the price-support level. If the prices of sugar offered for export to the United States continue at 7.75 cents per pound and other costs remain constant, an increase in the fee on imports of raw sugar from 2.7 cents per pound to 3.6 cents per pound, as we have recommended, should result in a market price for imported raw sugar which would permit the domestic price to equal or slightly exceed the minimum support level and thereby prevent interference with the price-support program.

By Proclamation 4547, the President imposed a fee of 3.22 cents per pound on refined sugar. While this is below the 50 percent ad valorem maximum to which the President could raise the fees, the current low prices of refined sugar in world markets make it doubtful whether the President, under the authority of section 22, could increase this fee sufficiently to cause the price of imported refined sugar to equal or exceed the present price-support objectives. Therefore, in order to prevent imports of refined sugar from interfering with the price-support objectives for raw sugar, we have recommended the use of a quota to limit the importation of refined sugar. A minimal quota of 40,000 short tons is recommended, which is designed to accommodate the border trade between the U.S. and Canada. It would not permit entry of refined sugar into the United States in quantities which will interfere with the price-support program.

The success of the use of duties and fees to keep the imported sugar at a price which will prevent interference with the domestic price-support level is necessarily dependent upon the price levels at which exporting countries are willing to offer sugar into the free world market and the level of transportation and other costs involved. Such prices and costs are subject to change and are clearly incapable of precise measurement. If, however, the price of imported raw sugar declines below present levels and if the additional fees which we have recommended, together with the present maximum duties, are insufficient to maintain the price of imported raw sugar at or above the domestic price-support level, we have recommended that quotas be imposed. It is our recommendation that quotas be imposed if, for a period of 20 consecutive days, the simple average price of U.S. sugar, as determined by the Secretary of Agriculture, is 1 percent or more below the price-support level, adjusted for interest and storage charges accruing under the price-support program.

In our judgment, if the decline in price threatens to interfere with, or tend to render ineffective, the price-support program and triggers the need for quotas, imports should be limited to 3.1 million short tons, raw value, in 1978. It is estimated that this level of imports, together with expected production and consumption, would provide a supply-demand relationship which would maintain the domestic price of sugar at or slightly above the price-support levels. We have recommended that, in the following years, the quota be increased to 4,275,000 short tons, raw value. In our judgment, such a quota level would permit domestic prices to rise to the price-support level. Such a quota could be adjusted, as appropriate, to take into account such factors as changes in parity and supply and demand conditions. Should quotas be placed in effect, we have recommended that they be allocated by the President among various countries, after taking into account article XIII of the General Agreement on Tariffs and Trade and, when effective, the provisions of the International Sugar Agreement. Pursuant to the request of the President and the provisions of section 22, the authority under which this investigation is being made, our recommendation necessarily is limited to import restrictions authorized by section 22. We recognize, however, that there is additional authority for the President to adjust duties and to impose quotas under headnote 2, subpart A, part 10, schedule 1 of the TSUS would provide greater flexibility to the President.

The recommendation which we have made will provide full opportunity to determine if sugar production and sugar prices can be effectively stabilized for U.S. producers and consumers through the use of the International Sugar Agreement, and with the use of import duties and fees, but without the use of quotas. We have, however, included a recommendation for the use of quotas, as necessary, to protect the interests of U.S. producers and consumers in the event the current program is not effective. We are mindful that, over a long period of years, a quota program achieved a remarkable degree of stabilization.

Differing Views of Commissioner Moore

Generally I concur with the views of my colleagues, Commissioners Parker and Bedell, particularly with respect to the reasons for our finding that sugar imports interfere with the price-support program.

With respect to recommendations as to remedy, I agree with the need for quotas as described in recommendation (2) to be placed into effect immediately without recourse to the triggering mechanism recommended by my colleagues. However, I do not agree that the imposition of an import fee and an import quota, as described in recommendation (1)(a) and (b)--even to the maximum authority to impose such a fee--would be adequate to prevent or to remedy interference with the price-support program.

It is my view that the imposition of a higher fee on sugar would result in falling world prices, which would make the fee self-defeating. Because of the statutory limit of 50 percent ad valorem on such a fee and the fact that sugar transactions are not readily susceptible to valuation under the applicable provisions of the U.S. customs laws, the higher fee would cause the U.S. Customs Service and importers administrative problems and delays which would tend to make the remedy complex and unworkable. In the light of the volatility of sugar prices and the steadily increasing prices required for price-support loan redemptions, the probable effect of the recommended trigger mechanism would be that the quotas would be quickly triggered in any event. Hence, it is my recommendation that the quotas be placed in effect without delay.

Statement of Chairman Daniel Minchew and Commissioner Bill Alberger

Introduction

This investigation has focused on two aspects of the current problems facing the domestic sugar market. The first is the extent to which imports are being or are certain to be imported in such quantities as to affect domestic sugar production. The second, and perhaps more crucial aspect of this case is the extent to which such imports are rendering or tending to render ineffective or materially interfering with the price-support operations of the Department of Agriculture.

We have heard testimony from almost every major sugar growers association in the United States. Their testimony highlighted the problems now facing the industry. Costs of production continue to rise. Wages for agricultural workers, now governed by legislation and USDA regulation, are as much as 23 percent higher than in 1974. The minimum wage covered by such regulations will rise 6 percent in 1978. Energy, capital equipment, and land costs have all gone through a period of severe inflation, and there are signs of further increases.

Meanwhile, domestic producers have been confronted with difficult and unpredictable market conditions. Since 1974, prices have dropped considerably. Immediately prior to the first Presidential proclamation, the domestic price stood at only 10.2¢ per pound; world prices were even lower (7¢ per pound). With the passage of the Food and Agriculture Act of 1977, 1/ and the subsequent announcement of import fees, foreign suppliers rushed to make shipments before

1/ 7 U.S.C. 1446.

such fees became effective. The result was an abnormally high volume of imported sugar, further depressing domestic prices and creating large surpluses. Large volumes of imports are still stockpiled because of this influx. Moreover, an unfortunate delay in the imposition of section 22 fees on refined sugar allowed almost 170,000 short tons to enter the country at very low prices in November and December. This represents almost twice the volume of refined sugar imported during all of 1976.

Given such conditions, domestic producers have little hope of recovering their costs, not to mention any reasonable return on their investment. Most producers indicated that prices would have to reach 17¢ per lb. before they could expect any profit. It is rather safe to say that without some improvement in the market, a large percentage of these producers will be unable to remain in business. The price-support program established by the Food and Agriculture Act of 1977 recognizes this fact. Our second concern, therefore, is with the consequences of such quantities of imports on the operation of the support program.

At present, almost $300 million has been expended under the price-support program in the form of direct loans. 1/ Despite this large expenditure, and the subsequent removal from the market of large amounts of sugar, the domestic price still has not risen to the redemption level. Witnesses for the Department of Agriculture conceded that to have these loans repaid a progressively higher market price must be attained. In fact, at a support level of 13.5¢ per pound, and at 11-month maturity on the loans, the domestic price would need to be at least 15.2¢ per pound in order to have producers recall their

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1/ See p. A-11 of the report.

loans at maturity. With loan payments on the 1977 crop expected to exceed $555 million, this Commission must consider whether imports threaten to keep prices so depressed that redemption would be unthinkable. If that were the case, the price-support program would become too costly and the level of interference section 22 envisions when it refers to "material interference" with the price-support program would be achieved.

It appears obvious from our investigation that prices will not reach the support level of 52.5% of parity without the additional measures authorized by section 22. In fact, we are concerned that if the Department of Agriculture raises the support level from 52.5% of parity to higher levels, as contemplated by the de la Garza amendment, 1/ the fullest possible use of section 22 fees may not prevent the dispensing of large sums. It is thus obvious that absent some action by the President under section 22, the volume of imports will tend to render ineffective or materially interfere with the price-support program.

Considerations

Section 22 allows the President to select between import fees of up to 50% ad valorem and quantitative restrictions. He cannot use both simultaneously under this statute. 2/ Although the President's discretion under the statute is limited, it is our view that the Commission must both recommend a particular remedy and make general comments on the merits

1/ 7 U.S.C. 1446.

2/ United States v. Best Foods, Inc. 47 CCPA 163 (1960).

and drawbacks of various other approaches the President might adopt. We thus review the record before us and set forth the relevant considerations.

Quantitative restrictions.--The overwhelming weight of the testimony presented to us indicated that quantitative restrictions would be the fairest, most understandable, and most readily acceptable form of relief. Nearly every domestic producer argued for some type of quota. Moreover, we heard testimony from exporting associations in 17 foreign countries, including many of the world's largest exporters, and almost all preferred some form of quota to the fees now in place.

Quotas receive such strong endorsements for a number of reasons. First, they assure adequate supplies, yet guard against the likelihood of surplus. Since both consumption and domestic production are relatively easy to predict, it is not difficult to assure ample supplies at the support level with an aggregate quota of between 4.2 million and 4.4 million tons. Secondly, the use of quotas does not prevent imports when world prices rise temporarily because of fluctuations in currency or shortfalls in output. Finally, there are the interests of foreign suppliers to consider. Import fees substantially reduce their profits, causing a severe economic impact in countries which rely on sugar for a substantial portion of their foreign export earnings. Quotas, on the other hand, can accommodate both the domestic industry and foreign exporting nations, allowing the latter to benefit from our stable market prices.

Country-by-country quotas.--Quotas allocated on a country-by-country basis guarantee some fairness to each exporting nation. We recommend that the representative period for the purposes of such allocation be 1974-76, during which the United States was closest to "free trade." If special circumstances exist, such as weather conditions or economic problems affecting a country's output during that period, they should be taken into consideration as provided for in article XIII of the GATT.

Global quotas.--Global quotas tend to favor nearby suppliers, which benefit from lower shipping costs. Global quotas also tend to favor large exporters, which can rush great quantities to our market at the beginning of each crop year. This may result in excessively large imports at the beginning of the crop year, offset by shortages later. One suggestion for avoiding such a likelihood is to establish quarterly quotas.

Quotas and the International Sugar Agreement

A major concern of those who expressed opposition to quotas was the potential effect on the International Sugar Agreement (ISA). Since this agreement contemplates a world market controlled by multilaterally negotiated export quotas, it has been the position of the administration that separate import restrictions would cause a breakdown in the agreement.

While the ISA does not prohibit the imposition of either tariffs or quotas, article 65 requires each member to take "such action as it deems appropriate to encourage the consumption of sugar and to remove any obstacles which restrict the growth of sugar consumption."

It is our view, however, that quotas tend to be more inconsistent with membership in the agreement than tariffs or fees, because the result of quotas is usually a higher price for sugar shipped to U.S. markets than for sugar shipped to the remaining world market. When there are two prices for sugar covered by the agreement, it is difficult to determine the trigger prices on which the agreement depends, and countries not receiving the higher price will be dissatisfied with the agreement. Evidence for this supposition lies in the fact that all the exporting nations which testified before us are members of the ISA. For many of them, our market is indispensable. They might well consider membership in an all-encompassing agreement such as the ISA less desirable than supplying sugar for U.S. quotas.

If quotas on imported sugar products were imposed as a temporary measure designed to allow adjustment to the world market, it may be possible to use such measures in conjunction with full participation in the ISA. However, it would be crucial for exporting nations to be aware that any quantitative restrictions established under section 22 are only temporary.

Import fees

Presidential Proclamation 4547, now in effect, establishes fixed fees for both raw and refined sugar. Witnesses for the USDA supported the view that fees can adequately protect the price-support program. While our recommendations reflect a basic agreement with this approach, at least with respect to raw sugar, we note several difficulties.

First, there is a problem raised by the 50% ad valorem limitation of the section 22 fee. As world prices drop, or as the price-support level is adjusted upward, it will become increasingly difficult to make up the difference between foreign and support prices. In fact, it appears that in the case of refined sugar, low world prices make it impossible to protect the support program even with full 50% ad valorem fees. Unless the ISA achieves some measure of success in raising world prices to the targeted 11-21¢ per pound, import fees on raw sugar may also be inadequate. Because import fees will not be as likely to interfere with the ISA, it is hoped that world prices will continue to rise as the effects of the agreement are felt. If that occurs, the price range anticipated by the agreement will allow the use of fees, even at a reduced level, to force prices up to support levels.

In light of the need for higher world prices to guarantee the success of a fee arrangement, it is perhaps anomalous that the imposition of such fees produces a contrary result. Because the United States accounts for a large percentage of world trade, our fees tend to reduce world prices as importers offer exporters less for their crops. The subsequent depressing of world prices becomes a source of great concern to exporting nations which must sell to our market whatever the price.

Another problem is the use of a fee-plus-duty arrangement in conjunction with trade preferences under the Generalized System of Preferences (GSP). 1/ In 1977, 13 percent of all imports came under GSP. Many small exporting nations are currently designated for GSP treatment, and some large suppliers,

1/ 19 U.S.C. 2461 et seq.; the Generalized System of Preferences was added by title V of the Trade Act of 1974 (88 Stat. 1978, 2066).

although not currently designated, are eligible for GSP treatment. 1/ GSP imports would be subject to section 22 fees but not to the current 2.8¢ duty applicable under column 1. The effect might be to undermine the fee structure, and thereby threaten the price-support program. While GSP is a vital part of our trade policy toward developing countries, it is less compatible with the use of section 22 import fees than with quotas.

Finally, it is important to note the cumulative effect of fees and duties on the American consumer. The current fee of 2.7¢ plus the duty of 2.8¢ will add nearly $450 million to the price of 4.2 million tons of sugar. We recognize that to adequately protect domestic producers it is necessary to raise prices artificially. In fact, quotas would ultimately have the same effect. Nevertheless, we consider the testimony of those who spoke for consumers to be relevant to any final proclamation.

Recommendations

After careful consideration of the relevant factors, we have made the following recommendations calculated to protect the price-support program. We recommend that the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, establishing, effective January 1, 1978, the following:

(1) Sugar, sirups, and molasses provided for in items 155.20 and 155.30 of the TSUS, if imported for human consumption or for the commercial extraction of sugar:

(a) if imported to be further refined or improved in quality; fixed fees of 3.6¢ per lb., but not to exceed 50% ad valorem.

1/ See table 1, p. A-30, of the report.

(b) if not to be further refined or improved in quality; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 40,000 short tons, raw value;

(2) Sugars, sirups, and molasses provided for in item 155.35 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 3 million gallons.

(3) Sugars, sirups, and molasses provided for in item 155.75 of the TSUS, except thick soy sauce imported as molasses; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 4 million lbs.

(4) Sweetened chocolate provided for in item 156.25 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 3 million lbs.

(5) Sweetened cocoa provided for in item 156.45 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 600,000 lbs.

(6) Candy and other confectionery provided for in item 157.10 of the TSUS; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 150 million lbs.

(7) Edible preparations provided for in item 182.98 of the TSUS; if containing over 10% sugar by weight, except articles within the

scope of other import restrictions pursuant to section 22 of the Agricultural Adjustment Act, as amended; for calendar year 1978 and each calendar year thereafter, quantitative limitations in an aggregate quantity of 50 million lbs.

We further recommend that the import fees referred to above remain in effect unless, for a period of twenty (20) consecutive calendar days, the simple average U.S. price of sugar, as determined by the Secretary of Agriculture, expressed in terms of 96 degree raw sugar equivalent, is 1 percent or more below the price-support level (adjusted for interest and storage charges per pound accruing under the price-support program) established by the Secretary of Agriculture, at which point the President should establish quantitative limitations pursuant to headnote 2, subpart A, part 10, of the TSUS.

We also recommend that all quantitative limitations be established on a basis deemed equitable by the President, consistent with the provisions of article XIII of the General Agreement on Tariffs and Trade, and, when effective, the International Sugar Agreement, taking into account the historic pattern of shipments of such products to the United States by each country, and with due account being taken of any special factors which may have affected or may be affecting the trade in these products.

We have recommended a basic fee structure on raw sugar, but have included several safeguards, since we are convinced the success of such an arrangement depends on world prices. Our safeguard system is designed to allow revocation of such fees if they are not succeeding, and imposition of quotas by the President under his independent headnote authority. 1/ The explanation of our fee recommendation is as follows:

(1) We assume a price objective of 14.4¢ per lb., since that would be the price needed to assure redemption of loans on the 1977 crop after 6 months (3 months after our recommendation), and since that would be close to 52.5% of parity, or the minimum support level, on the 1978 crop (which USDA expects to establish by June 1978).

(2) We base our calculations on a minimum world price of 7.3¢ per lb., the same base price used by USDA.

(3) After adding duty and freight of 3.5¢ per lb., a fee of 3.6¢ per lb. would be needed to guarantee a landed U.S. price of 14.4¢ (at world prices of 7.3¢). Hence our fee recommendation is 3.6¢ per lb., which is below 50% ad valorem so long as imports remain at a value above 7.2¢ per lb. (In March, the world price was 7.74¢ per lb.)

(4) Since the fee system we propose requires U.S. prices high enough to guarantee redemption of the 1977 loan payment, we recommend imposition of quotas when prices fall below that level for 20 days. Moreover, if the 1978 price-support levels are above 14.4¢ per lb., we recommend quotas unless domestic prices have risen to cover that difference.

1/ Headnote 2, subpart A, part 10, of the TSUS. This authority is broader than the section 22 quota authority, as it does not limit quotas to 50% of imports in a representative period.

(5) Our principal reason for recommending fees rather than quantitative limitations is our feeling that the International Sugar Agreement will stabilize world prices at well above 7.3¢ per lb., and therefore fees can be satisfactorily employed to protect the support program. Quotas should not be used until it becomes obvious that fees will not work. Our recommendation urges the President to use his broad headnote authority and impose quotas if the ISA does not stabilize world prices. However, we feel that any fee arrangement must be tied to world prices, and the safeguards contained in our recommendation are a recognition of that fact.

These safeguards are essential because of the 50% ad valorem limitation on section 22 import fees. Unless there is legislative action to change this limitation the success of any fee arrangement is entirely dependent on import values. While current legislative proposals would make just such changes, current law necessitates backup quotas. We would urge the Congress to give full consideration to eliminating the 50% ad valorem limits in order to make section 22 a more effective emergency measure.

With respect to refined sugar, our recommendation is different. We have concluded that the 50% ad valorem limitation under section 22 renders fees inadequate, and we hereby recommend the establishment of quantitative limitations in the aggregate quantity of 40,000 short tons per year.

We recommend that with respect to the sugar-containing products also the subject of our investigation, which we have found may tend to interfere with the price-support programs, quantitative limitations should be established.

Since these products use substantial quantities of refined sugar, we feel they represent means of avoiding the quantitative restrictions we recommend for refined sugar in TSUS items 155.20 and 155.30. The limitations we recommend will permit normal trade in such products, but will prevent their use as items of avoidance.

Statement of Commissioner Italo H. Ablondi

On November 23, 1977, at the request of the President, the United States International Trade Commission instituted an investigation (No. 22-41) under subsection (a) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to determine whether--

> Sugars, sirups, and molasses provided for in items 155.20 and 155.30 of part 10A, schedule 1, of the TSUS,

are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane or sugar beets.

On January 26, 1978, at the request of the President, the Commission enlarged the scope of its investigation under section 22(a) of the Agricultural Adjustment Act, as amended, to determine whether--

> in addition to sugars, sirups, and molasses provided for in items 155.20 and 155.30 of the TSUS,
>
> sugars, sirups, and molasses, provided for in items 155.35 and 155.75 of the TSUS, and articles provided for in items 156.25, 156.45, 157.10, and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS,

are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane or sugar beets.

Determination

After considering all the information received by the Commission during this investigation, I have determined that sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the TSUS are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets.

I have determined that sugars, sirups, and molasses, provided for in items 155.35 and 155.75 of the TSUS, and articles provided for in items 156.25, 156.45, 157.10, and 182.98 of the TSUS, if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS, are not being nor are they practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations being conducted by the U.S. Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets.

Price-support program

During the investigation the Commission received information that many domestic producers of sugar cane and sugar beets were not receiving the prices for their products that are required by the Food and Agriculture Act of 1977: 52.5 percent of parity. The Department of Agriculture is still making loans on the 1977 crop and has not had requests by processors for any price-support loan redemptions. In addition, the Department will soon have to announce a new and higher level of price support for the 1978 crop based on higher parity prices

The fact that 1.5 million tons of sugar was imported in November and December 1977 before the imposition of higher import fees is an indication that sugar can be imported into the United States under such conditions and in such quantites as to adversely affect these price-support operations. Hence, I have concluded that imports of sugar will adversely affect the sugar price-support program. Without import restrictions, price-support objectives for domestic producers will not be achieved, and the cost of the price-support program could become exorbitant.

With regard to other products in this investigation for which I have made a negative finding, the information received by the Commission tends to indicate that the level of imports in terms of sugar content is very small--about 50,000 short tons--compared with U.S. sugar consumption of 11.4 million short tons. The Department of Agriculture indicated that it was monitoring these imports. It is my opinion that exclusion of these sugar-containing products from quantitative limitations will not result in a substantial increase in sugar imports in other forms. Under these circumstance it would be inappropriate to find that imports of these products will adversely affect the price-support program.

Recommendation

Since I have found that imports of sugar under items 155.20 and 155.30 of the TSUS will adversely affect the price-support program for sugar, I am recommending that the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, establishing, effective on the date of the proclamation, quantitative limitations on sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the TSUS, in the aggregate quantity of

4,700,000 short tons, raw value, for the 12-month period beginning on the date of the proclamation and, subject to review by the U.S. International Trade Commission, for each 12-month period thereafter.

I further recommend that the annual aggregate quantity specified above should be allocated on the basis of transferable import licenses to be auctioned by the Secretary of Agriculture from time to time as appropriate under such regulations as the Secretary of Agriculture shall prescribe, such regulations to provide for the equitable distribution of imports among importers.

I believe that the import restriction of 4.7 million short tons will encourage an increase in U.S. market prices for sugar to the price-support level required by the price-support program, yet will not be so restrictive as to force prices above this level by any significant degree. An increase in price beyond the price-support level would encourage inefficient domestic producers to continue to produce and at the same time would thrust the burden of higher prices on U.S. consumers of sugar. I believe that by establishing the quotas as of the date of the proclamation, the effects of the record level of sugar inventories on January 1, 1978, will have been reduced and the resulting quota level will be sufficient for subsequent years.

However, it is my view that import restrictions established pursuant to section 22 should be subject to periodic review by the U.S. International Trade Commission. I believe it is inappropriate to allow such import restrictions to go on indefinitely without a continuing review as to whether the restrictions are still appropriate.

I have recommended that the quota quantity be allocated on the basis of transferable import licenses through an auction system administered by the Secretary of Agriculture. The auctioning of the import licenses could be accomplished so as to encourage both small and large suppliers to participate.

The Secretary of Agriculture should promulgate rules and regulations as necessary to achieve the execution of sales of import licenses over the quota period.

The auction system would have certain advantages. Theoretically, this cost would be determined in the auction market and would be the protective cost of the quota. The price objective for domestic sugar would be achieved, as the auction price would be added to the cost of world sugar along with insurance, freight, and duty.

After purchasing the license or right to import, the holder would not be constrained in his choice of supplying country. Indeed, it would be to his advantage to purchase the sugar at the lowest cost from the most efficient supplier. If for any reason a purchaser could not use a license purchased at auction, or if an importer found that he desperately needed additonal quota licenses, the provision that these licenses be transferable would mean that the licenses could be bought and sold, and thus even after the original auction would go to the importer with the greatest need for rights to import. Therefore, the system would offer continuing flexibility as to sources of supply within the quantitative restraint of the quota. Given the current world surplus sugar, there would be no problem in filling the quota.

Restricting supply through effective quotas generates an economic rent or premium, generally known as the quota premium. Ordinarily this quota premium is captured by the domestic importer or the foreign exporter on the basis of the strength of their respective bargaining positions. By auctioning the quota licenses, the quota premium will not represent a windfall gain to either of these parties, but rather will go to the U.S. Treasury as the proceeds of the auction. I do not believe that an effort to help domestic producers through price support should result in substantial windfalls for either foreign producers or for a small group of domestic importers.

Brief Outline of the Report

This report on sugar was prepared pursuant to the provisions of section 22 of the Agricultural Adjustment Act, as amended. It contains major sections on U.S. sugar policy background, U.S. sugar and sweeteners, world sugar, sugar prices, sugar-containing products, and sugar policy options.

The background section discusses the various events and policy actions regarding sugar which have occurred since the Commission's last report to the President on sugar (investigation No. TA-201-16) on March 17, 1977. The impact of that report, the mandatory price-support program for sugar beets and sugar cane provided for in the Food and Agriculture Act of 1977, the interim sugar payments program, the price-support loan program, and the section 22 proclamations issued in connection with the price-support loan program are all considered.

The report provides a detailed discussion of U.S. sugar and sweeteners in order to analyze the import impact of the principal articles under investigation. Within this discussion are appraisals of the competitive impact of alternative sweeteners. The section covers description and uses, customs treatment, industry structure, production, imports, inventories, exports, and consumption for sugar and alternative sweeteners.

Discussion of U.S. sugar is followed by a discussion of world sugar production, consumption, and international trade. An analysis of the 1977 International Sugar Agreement is integrated with this section.

Sugar prices, the key indicator for price-support operations, are discussed next. The analysis covers price trends, parity prices, alternative sweetener prices, and the elasticity of demand for imports.

The report provides information on description and uses, customs treatment, U.S. production, and U.S. imports for many other products covered by this investigation: edible molasses, flavored or blended sugars and sirups, sweetened chocolate coatings, sweetened cocoa, candy and other confectionery, and edible preparations, not specially provided for. Finally, the report provides a general discussion of various sugar policy options, particularly tariff options, quota options, and options for sugar-containing products.

A-1

Introduction

At the request of the President (reproduced below), the United States International Trade Commission, on November 23, 1977, instituted an investigation (No. 22-41) under subsection (a) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to determine whether--

> Sugars, sirups, and molasses provided for in items 155.20 and 155.30 of part 10A, schedule 1 of the Tariff Schedules of the United States (TSUS),

are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations now being conducted by the U.S. Department of Agriculture for sugar cane or sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane or sugar beets.

The text of the President's letter of November 11, 1977, to the Commission follows:

> Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that certain sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of part 10A, schedule 1 of the Tariff Schedules of the United States, are being or are practically certain to be imported under such conditions and in such quantitites as to render or tend to render ineffective, or materially interfere with, the price support operations for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane or sugar beets.
>
> The Secretary has also advised me, pursuant to Section 22(b) of the Agricultural Adjustment Act, as amended, that a condition exists requiring emergency treatment with respect to such sugars, sirups, and molasses and has, therefore, recommended that I take prompt action under Section 22(b) to impose fees on such sugars, sirups, and molasses. I am today issuing a proclamation imposing import fees on certain sugars, sirups, and molasses, such fees to continue in effect pending the report and recommendation of the United States International Trade Commission and action that I may

> take thereon. [Proclamation 4538 of November 11, 1977 1/]
>
> The United States International Trade Commission is directed to make an immediate investigation under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether the above-described sugars, sirups, and molasses are being, or are practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.

On November 25, 1977, notice of investigation and hearing was issued and published in the Federal Register of November 30, 1977 (42 F.R. 60961). On December 22, 1977, notice of the time and place of hearings was issued and published in the Federal Register of December 28, 1977 (42 F.R. 64744). Public hearings were held on January 4, 1978, in New Orleans, La., and on January 17, 1978, in Minneapolis, Minn. A public hearing was scheduled to begin on February 2, 1978, in Washington, D.C.

On January 26, 1978, at the request of the President (reproduced herein), the U.S. International Trade Commission enlarged the scope of its investigation under subsection (a) of section 22 of the Agricultural Adjustment Act, as amended, to determine whether--

> in addition to sugars, sirups, and molasses provided for in items 155.20 and 155.30 of the Tariff Schedules of the United States (TSUS),
>
> sugars, sirups, and molasses, provided for in items 155.35 and 155.75 of the TSUS, and articles provided for in items 156.25, 156.45, 157.10, and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS,

are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane or sugar beets.

1/ The regular duties on sugars, sirups, and molasses, provided for in items 155.20 and 155.30 of the TSUS, were increased under other authority by Proclamation 4539, also issued on Nov. 11, 1977.

The text of the President's letter of January 20, 1978, to the Commission follows:

> Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture that there is reason to believe that the sugars, sirups, and molasses provided for in items 155.35 and 155.75 of the Tariff Schedules of the United States (TSUS) and articles provided for in items 156.25, 156.45, and 157.10, and 182.98 of the TSUS if containing sugars, sirups, and molasses of the types described in items 155.20, 155.30, 155.35, and 155.75 of the TSUS are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar.
>
> I agree with him.
>
> The United States International Trade Commission is directed to expand the investigation requested in my letter of November 11, 1977, under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether the above described articles are being, or are practically certain to be, imported under such conditions and quantities as to render or tend to render ineffective or materially interfere with the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar cane and sugar beets, and to report its findings and recommendations to me at the earliest practicable date.
>
> Because of the urgency of this matter, it would be very much appreciated if you could report to me by March 15, 1978.

On January 26, 1978, notice of enlargement of scope of the investigation and postponement of the hearing was issued and was published in the Federal Register of January 31, 1978 (43 F.R. 4126). The public hearing originally scheduled for February 2, 1978, in Washington, D.C., was postponed to allow time for preparation of testimony with regard to these additional articles. The public hearing was held on February 27 and 28, 1978, in Washington, D.C.

The information for this report was obtained at the public hearings; from written briefs submitted by interested parties; through interviews by members of the Commission's staff with sugar growers, processors, refiners, and importers, and with customs officials; from other Federal agencies, State agencies, and State universities; and from responses to questionnaires sent to domestic corn sweetener producers.

U.S. Sugar Policy Background

Sugar investigation, TA-201-16

Findings and recommendations.--On March 17, 1977, the United States International Trade Commission reported to the President on investigation No. TA-201-16 that sugar provided for in TSUS items 155.20 and 155.30 was being imported in such increased quantities as to be a substantial cause of the threat of serious injury to the domestic industry producing like or directly competitive products. 1/ The Commission found in the negative with respect to articles entered under TSUS items 155.10, 155.12, 155.15, and 155.75.

Commissioners Parker, Moore, and Bedell recommended a quantitative restriction for sugar in TSUS items 155.20 and 155.30 in the amount of 4,275,000 short tons, raw value, for the calendar years 1977-81 to be allocated among supplying countries on a basis determined by the President to be equitable. Commissioners Leonard and Ablondi recommended a quantitative restriction for the same articles of 4,400,000 short tons, raw value, for 12-month periods beginning the effective date of the proclamation, for the years 1977 to 1979, to be allocated on the basis of an auction of nontransferable import licenses. Chairman Minchew recommended a quantitative restriction for the same articles of 4,400,000 short tons, raw value, for the calendar years 1977-81, to be allocated country-by-country on the basis of the historical supply during the period 1972-76.

Presidential response and proposals.—On May 4, 1977, the President announced his decision that import relief under section 203 of the Trade Act of 1974 was not in the national economic interest. Instead, the President recommended a program under existing agricultural legislation to provide income support for domestic sugar producers which would make up the difference between U.S. market prices for sugar and a price objective of 13.5 cents per pound, with payments up to 2 cents per pound.

At the same time, the Trade Policy Staff Committee announced its determination that sugar in TSUS items 155.20 and 155.30 would remain eligible for duty-free treatment under the Generalized System of Preferences (GSP), thus denying a petition to remove sugar from the list

1/ Commissioner Ablondi found serious injury and Chairman Minchew found in the negative.

of articles eligible for such treatment. However, certain countries whose imports had not exceeded the competitive-need criterion in 1976 and could have been reinstated for eligibility for duty-free treatment were not reinstated for 1977.

Congressional reaction to administration proposals.--Since a majority of the Commission had found affirmatively under section 201 of the Trade Act of 1974 and the President had recommended no import relief action, pursuant to section 203(c) of the Trade Act of 1974, upon the adoption by both Houses of Congress of a concurrent resolution disapproving the President's determination not to provide import relief by an affirmative vote of a majority of the members of each House present and voting, the action recommended by the Commission would have taken effect.

Representative George Hansen introduced House Concurrent Resolution 231 to disapprove the President's decision not to provide import relief. On July 27, 1977, the Subcommittee on Trade of the Committee on Ways and Means of the House of Representatives held hearings on the resolution. However, the resolution was never called to the floor of the House for action. Mandatory price supports for sugar were enacted in the Food and Agriculture Act of 1977.

Senator Robert Dole and several other Senators introduced Senate Concurrent Resolution 38 to disapprove the President's decision not to provide import relief. The resolution was never called to the floor and died in committee. After the enactment of the Food and Agriculture Act of 1977, the Secretary of Agriculture made a commitment to implement the price-support program mandated by the act by November 8, 1977, rather than on January 1, 1978, as originally contemplated by the Department of Agriculture.

Food and Agriculture Act of 1977

Mandatory price supports for sugar beets and sugar cane.—The Food and Agriculture Act of 1977 provides in title IX, section 902, for amendment of the Agricultural Act of 1949, as amended (7 U.S.C. 1446), by adding "sugar beets and sugar cane" to the list of nonbasic agricultural commodities for which price support through loans or purchases is mandatory, effective only with respect to the 1977 and 1978 crops.

The act provides that the price of the 1977 and 1978 crops of sugar beets and sugar cane shall be supported through loans or purchases with respect to the processed products thereof at a level not in excess of 65 percent of parity nor less than 52.5 percent of parity, but in no event at a level that would be less than 13.5 cents per pound for raw sugar. Further, the act provides that, in carrying out the price-support program, the Secretary of Agriculture shall establish minimum wage rates for agricultural employees engaged in the production of sugar.

The act includes a provision that allows the Secretary of Agriculture to suspend the operation of the price-support program whenever he determines that an international sugar agreement is in effect which assures the maintenance in the United States of a price for sugar not less than 13.5 cents per pound raw sugar equivalent.

Legislative history.—There were no House or Senate hearings on the sugar price-support provisions of the Food and Agriculture Act of 1977. The mandatory price supports for sugar cane and sugar beets were originally added to the House version of the farm bill as an amendment from the floor by Representative De La Garza on July 22, 1977, by a vote of 81 to 3. On July 28, 1977, a last-minute attempt was made to delete the De La Garza amendment; it failed on a vote of 246 to 165, and shortly thereafter the House version of the bill was enacted.

The Senate had no provision equivalent to the De La Garza amendment in its version of the farm bill, so the language of the amendment had to be considered in the joint conference on the bill. The conferees reported the sugar provisions in the form in which they were finally enacted.

In the joint explanatory statement of the committee on conference, the conferees noted the following points. The Department of Agriculture had authority under existing legislation to carry out the price-support program required by this amendment. They recommended implementation of the program as soon as possible--even before the act was signed into law. The conferees intended that the implementation of the loan and purchase program not be delayed even if there should be a delay in the establishment of minimum wage rates for agricultural employees engaged in the production of sugar, and that the loan and purchase and wage rate provisions be implemented without any delay upon the bill's becoming effective. The conferees intended that the processed products of sugar cane and sugar beets should not be sold by the Commodity Credit Corporation (CCC) at less than 105 percent of the current support price, plus reasonable carrying charges. It was not expected that any outlay of funds or acquisition of products of sugar beets or sugar cane would occur. The conferees expected that existing legal authority would be used to impose an import fee, or duty, which--when added to the existing import duty—would enable raw sugar to sell in the domestic market at not less than the effective support price.

The Senate approved the conference version of the bill on September 9, 1977, and the House, on September 16, 1977. The President signed the bill, the Food and Agriculture Act of 1977, on September 29, 1977.

Interim sugar payments program

Origins.—In his statement to the Congress denying import relief for sugar, the President had stated that in recognition of the problems facing much of the U.S. sugar industry because of low sugar prices, he was requesting the Secretary of Agriculture to institute an income-support program for sugar producers, effective with the 1977 crop, offering supplemental payments of up to 2 cents per pound whenever the market price fell below 13.5 cents per pound.

On June 13, 1977, the Department of Agriculture outlined and requested comments on such a proposed income-support program. On July 19, 1977, the Comptroller General released his opinion that the proposed income-support program did not appear to be authorized under current U.S. legislation. Direct payments to processors were illegal unless they were designed to support or increase the price of the crop.

On August 19, 1977, the Secretary of Agriculture released a Justice Department opinion that the proposed sugar program was illegal, that is, not authorized by the statutes. On August 23, 1977, the Department of Agriculture submitted an alternative plan to the President. The alternative plan called for paying processors any difference between current market prices and 13.5 cents per pound and provided that the difference be passed on to domestic sugar cane and sugar beet producers.

Regulations.—On September 15, 1977, the revised sugar program was instituted by the Department of Agriculture. This program established price-support levels for sugar beets and sugar cane at not less than 52.5 percent of parity prices as of July 1977. The support prices were $22.84 per ton for average quality sugar beets and $17.48 per ton for average quality sugar cane. Compensatory payments for the difference between market prices and 13.5 cents per pound were to be made to processors, which paid the support price to producers. Payments were to be made on sugar marketed from September 15, 1977, onward, but the Secretary of Agriculture announced his intention to provide equivalent support for that portion of the 1977 crop marketed before that date insofar as it was legally possible.

On October 13, 1977, the Secretary of Agriculture announced that the Department of Justice had concluded that payments for 1977 crop sugar marketed prior to September 15, 1977, were legally authorized because such sugar was marketed under terms which provided for final payments on a crop-year basis, rather than at the time the sugar beets or sugar cane was marketed. On November 4, 1977, amended regulations to permit such payments were issued. On November 8, 1977, the price-support loan program for sugar beets and sugar cane, which superseded the interim payments program, was implemented. On December 23, 1977, certain sugar (contracted for sale before November 8, 1977, for delivery after that date) which was not covered under either the interim payments program or the price-support loan program under the regulations issued November 8, 1977, became covered under the interim payments program.

As of March 30, 1978, the U.S. Department of Agriculture had made preliminary payments under the interim payments program of $152.3 million, or 90 percent of the estimated total payments ($169.2 million). No date has been established for payment of the final 10 percent. Such payments represent only the difference between market prices and the objective price for sugar under this program.

Price-support loan program

Regulations.—On November 8, 1977, the Secretary of Agriculture announced regulations for the 1977 crop sugar loan program required by the Food and Agriculture Act of 1977. Under the loan program, the Commodity Credit Corporation offers sugar processors loans of 14.24 cents per pound of refined beet sugar and 13.50 cents per pound of cane sugar (raw value). To qualify, processors must pay producers minimum prices (the same as were established under the interim payments program). Producers, in turn, must pay their sugar production employees at least the minimum wage rates determined by the Department of Agriculture in order to be eligible for price supports.

Sugar used as loan collateral must be in storage owned or leased by the processor and must not have been reported as marketed under the interim payments program. The interest rate in effect at the time a loan is disbursed (currently 6 percent) will not change. Interest is charged only if the loan is redeemed. Loans will mature on the last day of the 11th month following the month of disbursement, but the CCC can accelerate the maturity date. A processor can redeem a loan at any time during the loan period, but at maturity must either redeem the loan or deliver the commodity to the CCC. The CCC may take delivery in the processor's storage or may direct delivery at another facility. In either case, the CCC will take title and, if the quantity delivered times the loan rate covers the loan, will consider the loan as fully satisfied. The processor must, when the CCC takes title in the processor's storage, keep the sugar in storage until the CCC directs him to remove and deliver it to another designated place. The CCC will make monthly storage payments after it takes title at a rate of not more than $0.000833 per pound per month.

Price-support levels.—The price-support levels provided for sugar beet and sugar cane producers in both the interim payments program and the price-support loan program were as follows: for sugar beets, $22.84 per net ton; for producers of sugar cane in Florida, $18.37 per net ton; for producers of sugar cane in Louisiana, $15.90 per net ton; for producers of sugar cane in Texas, the amount determined by multiplying 8.10 cents times the average number of pounds of cane sugar, raw value, recovered per ton from the sugar cane delivered to the processor by all producers as adjusted for quality differences; for producers of sugar cane in Hawaii, where the delivery point is at the mill, the amount determined by multiplying 8.91 cents times the total number of pounds of cane sugar, raw value, recovered per ton from the sugar cane delivered to the processor by the individual producer; and for producers of sugar cane in Puerto Rico, that price determined in accordance with the provisions of Puerto Rico Law No. 426—also known as the Puerto Rico Sugar Law—and the rules issued thereunder by the Sugar Board of Puerto Rico.

Minimum wage rates.—The Food and Agriculture Act of 1977 did not provide guidance to the Department of Agriculture as to how minimum wage rates for employees engaged in sugar production should be established, as did the Sugar Act of 1948, as amended and extended.

On January 5, 1977, the U.S. Department of Agriculture announced minimum wage rates for sugar fieldworkers (43 F.R. 1476). After hearing comments from interested parties, it was decided that wages for the 1977 and 1978 crops should be based on the minimum wage rates established for the 1974 crop under the Sugar Act, plus the percentage increase in the cost of living since that time--23 percent for 1977 and an additional 6 percent for 1978. Using this formula the following minimum wage rates were established:

Area	Class of labor	1977 crop	1978 crop
All states in which sugar beets are grown.	Hand labor operations of thinning, hoeing, hoe-trimming, weeding, pulling, topping, loading, or gleaning.	$2.85	$3.00
Louisiana sugar cane.	Tractor and truck drivers and operators of mechanical equipment.	$3.10	$3.30
	All other workers----------	$2.85	$3.00
Florida and Texas sugar cane.	Tractor and truck drivers and operators of mechanical equipment.	$3.40	$3.60
	All other workers----------	$3.00	$3.20
Hawaii and Puerto Rico sugar cane.	All classes----------------	As required by existing legal obligations resulting from a labor union agreement or from Federal or local legislation or regulatory action.	

Provision is also made in the regulations for piecework rates that will provide the same result as the hourly minimum wage rates.

Growers must pay at least the minimum wage rate to their workers as of November 8, 1977, to qualify for price-support loans for their sugar cane or sugar beets. Also, the regulations provide that growers cannot reduce the specified minimum wage rates by any subterfuge or device, and must maintain records which demonstrate that each worker has been paid in accordance with the regulations.

Operations.—Little information on operations of the price-support loan program is available. There have been requests for loans in Louisiana and for the entire Texas crop. Some producers hesitated to make loan requests prior to Janaury 5, 1977, because the minimum wage rates had not yet been established. As of March 24, 1978, the U.S. Department of Agriculture had made price-support loans of $292.3 million on 1,093,413 short tons, raw value, of 1977 crop sugar. It is believed that nearly half the 1977 crop was marketed under the interim payments program, and of the remainder, about one-third was marketed under the loan program, about one-third was marketed otherwise, and about one-third has not yet been marketed.

Section 22 proclamations

Presidential Proclamation 4538.—On November 11, 1977, the President issued Proclamation 4538, which provided, pursuant to section 22 of the Agricultural Adjustment Act, as amended, for import fees on certain sugars, sirups, and molasses provided for in TSUS items 155.20 and 155.30 (app. A). For sugars, sirups, and molasses provided for in TSUS item 155.20 (raw and refined sugar) valued not more than 6.67 cents per pound, a fee of 50 percent ad valorem was established. For such sugars, sirups, and molasses valued at more than 6.67 cents per pound but not more than 10.0 cents per pound, the section 22 fee was established at 3.32 cents per pound less the amount by which the value exceeds 6.67 cents per pound. For sugar valued over 10 cents per pound there would be no section 22 fee. For sugars, sirups, and molasses provided for in TSUS item 155.30 (liquid sugar and other sugar sirups), similar fees were established based on pounds of total sugars.

The fees established applied to articles entered or withdrawn from warehouse for consumption on or after November 11, 1977, pending the report and recommendations of the U. S. International Trade Commission and action that the President must take on the fees. However, such fees did not apply to articles exported to the United States before November 11, 1977, or imported to fulfill contracts entered into before that date and entered or withdrawn from warehouse for consumption on or before January 1, 1978. The proclamation also authorized the Secretary of Agriculture to issue licenses exempting sugar from these fees if imported to be used only for the production of polyhydric alcohols (e.g., mannitol or sorbitol) not to be used as a substitute for sugar in human food consumption.

Headnote 2 proclamation.—Simultaneously with the section 22 proclamation, Presidential Proclamation 4539 was issued, providing, pursuant to headnote 2, subpart A, part 1, schedule 1, of the TSUS, for increasing the column 1 and column 2 rates of duty on sugars, sirups, and molasses provided for in TSUS items 155.20 and 155.30 by 50 percent, the maximum increase in duties that could be proclaimed by the President as being appropriate to carry out the Kennedy round trade agreement under section 201(a) of the Trade Expansion Act of 1962 (app. A). The provisions of this proclamation had the same effective date as those of Proclamation 4538, including the exemption for sugar exported before, or imported to fulfill contracts entered into before, November 11, 1977, and entered or withdrawn from warehouse for consumption on or before January 1, 1978.

Implementation.—The purpose of these proclamations was to add sufficient fees and duty to the value of imported sugar to insure a minimum U.S. price just slightly above 13.5 cents per pound, raw value. For example, 96-degree-raw-value sugar valued at 7 cents per pound would be dutiable at 2.8125 cents per pound under TSUS item 155.20 and would be subject to the additonal section 22 fee of 2.99 cents per pound. Assuming the cost of insurance and freight was 0.725 cents per pound, the duty-paid price of such sugar in the United States would have been 13.5275 cents per pound.

There were some problems with implementation of the proclamations. For those countries eligible for GSP duty-free treatment, the duty under item 155.20 does not apply, although the section 22 fee does apply. However, only about 15 percent of U.S. sugar imports have been from countries eligible for GSP duty-free treatment.

Refined sugar could have been entered under these proclamations at values which would provide for prices only slightly in excess of the 13.5 cents per pound objective price, making it difficult to achieve a raw sugar price of 13.5 cents per pound in the United States.

Since the fees applicable under section 22 must be determined on the basis of customs valuation of sugar under section 402 of the Tariff Act of 1930, it is possible that the customs value of sugar might not be the same as the purchase price. Under the provisions of section 402, the U.S. Customs Service might have to determine "constructed value" for most U.S. sugar shipments, so that a long time might pass between the date of arrival and the date of liquidation for sugar shipments. The sugar importer could have been paying 9 cents per pound for sugar, which would imply a section 22 fee of 0.99 cent per pound, but the customs value could have turned out to be 7 cents per pound, resulting in a fee of 2.99 cents per pound. Since sugar importers generally make only small profit margins on sugar imports, often less than 0.5 cent per pound, the 2-cents-per-pound-duty risk in the above example would have created a serious problem for sugar importers.

Finally, if the average price of sugar in world trade had fallen below 6.64 cents per pound, even using the full authority allowed under section 22 and headnote 2, the fees and duties assesed on sugar could not have raised the price of sugar duty paid in the United States above 13.5 cents per pound.

Presidential Proclamation 4547.—On January 20, 1978, the President issued Proclamation 4547 (app. A) after being advised by the Secretary of Agriculture that the fees established by Proclamation 4538 were insufficient. The new proclamation established fixed fees on sugars, sirups, and molasses described in item 155.20. The section 22 fee on these articles not to be further refined or improved in quality was 3.22 cents per pound, but not in excess of 50 percent ad valorem. Sugars, sirups, and molasses described in item 155.20 to be further refined or improved in quality had a section 22 fee of 2.70 cents per pound, but not in excess of 50 percent ad valorem. Sugars, sirups, and molasses described in item 155.30 had a section 22 fee of 3.22 cents per pound of total sugars, but not in excess of 50 percent ad valorem.

The proclamation made the fees effective on January 21, 1978, with some exceptions. One exception was for imports of sugar from Malawi which entered the United States before February 15, 1978, pursuant to contracts for delivery to the United States entered into before November 11, 1977. Another exception provided for articles subject to Proclamations 4538 and 4539 exported to the United States or imported to fulfill forward contracts for delivery to the United States before November 11, 1977, which could not be entered on or before January 1, 1978, as a result of delay in transportation because of windstorm, fog, or similar stress of weather. This exception applied to both the increased tariff and import fees. The provisions for the Secretary of Agriculture to issue licenses exempting sugar from these fees if imported to be used only for the production of polyhydric alcohols not to be used as a substitute for sugar in human food consumption were retained.

Continuing problems in implementation.—Proclamation 4547 solved several of the problems that were found to make the previous section 22 fees insufficient for achieving sugar price-support objectives. By using fixed fees rather than a sliding scale of fees based on customs value, the problem experienced by importers in anticipating their tariff costs for importing under the earlier proclamation was alleviated. Since the fees are generally well below 50 percent of the selling price for sugar, it is unlikely that there will be great difficulty in determining whether the fees will exceed the 50 percent ad valorem limitation of section 22 fees. The proclamation also recognized the need for differences in the rates of duty for refined and raw sugar. Despite these improvements, some problems still remained.

Inherent in using fixed fees is the problem that if prices rise the fee will cause prices to exceed the price objective. Since a rather low base, 7.30 cents per pound as the average world price, was used to determine the fees, a rise in prices could force the duty-paid price in the United States to exceed the price objective of 13.5 cents per pound by a substantial amount. Also, the use of a fixed fee means that if prices fall the price objective cannot be achieved, in this instance when world prices fall below 7.30 cents per pound.

There has been some discussion that the way to solve this problem would be to provide for periodic adjustment of the import fee in line with the anticipated movements in prices. Such periodic adjustment would aid in the attempt to achieve the price objective and not exceed it by any substantial amount when prices are rising. However, such periodic costs for importers, which would have to try to anticipate the levels of import fees in writing forward contracts for sugar deliveries.

Another problem with the import fees in this proclamation is that the spread between raw and refined sugar import fees is not sufficient to insure that refined sugar will not be imported at prices below price-support objectives. This problem arose from the method used to determine the import fees.

In establishing the fees, it was assumed that the average world price for sugar deliveries in the first few months of 1978 was 7.30 cents per pound. This plus the cost of duty, freight, and insurance (3.50 cents per pound) made an import fee of 2.70 cents per pound necessary in order to achieve the price-support objective of 13.50 cents per pound. In order to determine a price objective for refined sugar, 8 percent of the raw sugar price (1.08 cents per pound) was determined to be the refining loss resulting from melting raw sugar, and the average U.S. refining cost was determined to be 2.92 cents per pound. This results in a U.S. refined sugar cost of 17.50 cents per pound. A price of 17.67 cents per pound was then settled on as the price objective for U.S. refined sugar.

To determine the import fee for refined sugar, 8 percent of the average world raw sugar price (0.58 cent per pound) and an average world refining cost of 2.90 cents per pound were added to the average world raw sugar price of 7.30 cents per pound to determine a world refined sugar cost of 10.78 cents per pound. This plus the cost of duty, freight, and insurance (3.67 cents per pound) made a import fee of 3.22 cents per pound necessary to achieve a U.S. refined sugar price objective of 17.67 cents per pound. This analysis failed to recognize that the foreign cost of refined sugar may not be reflected in the price of foreign refined sugar. Just as the world price of raw sugar is determined by world supply and demand, the world price of refined sugar is determined by world supply and demand for refined sugar. Currently, there is a large surplus of refined sugar available for export. In fact, in September 1977, the London Daily Price (spot) for raw sugar was higher than the spot price for refined sugar.

A better method of calculating the import fee for refined sugar would have been to estimate the average difference between raw sugar and refined sugar prices (approximately 0.44 cent per pound) and add it to the average world price of 7.30 cents per pound to determine an average world price of refined sugar of 7.74 cents per pound. This plus the cost of duty, freight, and insurance (3.98 cents per pound) would make an import fee of 5.95 cents per pound necessary to achieve a U.S. refined sugar price objective of 17.67 cents per pound.

Since section 22 fees cannot exceed 50 percent ad valorem, the maximum fee that could have been imposed on refined sugar with an average world price of 7.74 cents per pound would have been 3.87 cents per pound. Therefore, import fees under section 22 as calculated by this formula would not have been adequate to achieve the price-support objective for imports of refined sugar. So far, the spread between raw and refined sugar has not caused any surge in refined sugar imports; in fact, there has not been a surge in any sugar imports. This may be attributable to the statement the President issued with the proclamation: "If I find, based on the new fixed fee system, that efforts continue to be made to take advantage of the system, I will not hesitate to take even more stringent actions. The dumping of imported sugar on our domestic market will not be tolerated." Since imports of refined sugar at prices below the U.S. refined sugar price objective might be in violation of the antidumping statute, the statement of the President may have deterred refined sugar imports regardless of the sufficiency of the import fee.

A final and important problem with the import fee determination is an apparent misconception as to what price objective the import fee should be established to achieve. Inherent in the price-support loan program for sugar cane and sugar beets of the Department of Agriculture is the assumption that the Department will not acquire any substantial quantity of sugar, that is, that processors will repay the price-support loans plus storage costs and interest and sell the sugar at market prices. Hence, the objective of the import fee should be to raise market prices for sugar to a level above the price-support loan level of 13.5 cents per pound. Given interest and storage costs for sugar, at the 11-month maturity date for price-support loans on the 1977 crop, a market price in excess of 15.0 cents per pound will probably be necessary to give processors an incentive to repay their loans and sell sugar to the market. A further problem is that Hawaii and Puerto Rico are already harvesting 1978 crop sugar that would be eligible for the 1978 price-support loan levels to be determined on the basis of July 1978 parity. Because of advances in the parity index, and possibly even an increase in the percentage of parity deemed appropriate for the sugar price-support level, it is likely that a price objective higher than 13.5 cents per pound will be necessary in order to avoid having an excessive amount of U.S. sugar going under price-support loans.

U.S. Sugar and Sweeteners

Description and uses

Description.—Sugar is derived from the juice of sugar cane or sugar beets. It is present in these plants in the form of dissolved sucrose. Most sugar is marketed to consumers in a refined form as pure granulated or powdered sucrose. Substantial quantities also reach consumers as liquid sugar (sucrose dissolved in water) or in forms not chemically pure, such as brown sugar and invert sugar sirup, 1/ or as blends of sucrose with simpler sugars such as dextrose and levulose.

1/ Invert sugar sirup is made by hydrolysis, breaking down the disaccharide sucrose into its monosaccharide components, glucose and fructose.

Sugar cane is a perennial subtropical plant which is cut and milled to obtain sugar cane juice. Through a process of filtering, evaporating, and centrifuging this juice, a product consisting of large sucrose crystals coated with molasses, called raw sugar, is produced. Raw sugar derived from sugar cane is the principal "sugar" actually shipped in world trade. Raw sugar is generally refined near consumption centers through additional processes of melting, filtering, evaporating, and centrifuging to yield the refined white (100 percent pure sucrose) sugar of commerce.

Sugar beets are annual temperate zone plants usually grown in rotation with other crops (to avoid disease and pest problems from growing two beet crops successively in the same field). Most sugar beets, including those grown in the United States, are converted directly into refined sugar; sugar beets grown in some countries, however, are used to produce raw beet sugar. The refined sugar product derived from sugar beets is not distinguishable from that of sugar cane inasmuch as both are virtually chemically pure sucrose.

Raw sugar is sold commercially and both raw and refined sugar are generally measured for duty purposes (and in the United States for quota purposes) on the basis of recoverable sucrose content. For liquid sugars or sirups, the measurement is on the basis on the total sugars content (the sum of sucrose and any invert or reducing sugars 1/ present). The approximate recoverable sucrose content in solid or crystalline sugar is determined by polariscopic testing; the total sugars content in liquid sugars or sirups is determined by chemical testing. Raw sugar is generally referred to in world trade as testing 96 degrees by polariscopic test even though in actual practice most raw sugar now tests between 97 and 99 degrees. 2/ Nevertheless, market quotations for raw sugar and statistics for both raw and refined sugar are usually given in terms of 96-degree "raw value."

Uses.--The overwhelming use of sugar in the United States is for human consumption, although some is used in specialty livestock feeds and in the production of alcohol. Sugar is primarily a caloric sweetening agent, but it also has preservative uses. In the United States, about one-third of the sugar consumed goes to household users and two-thirds to industrial users. In 1974 the principal industrial users (with their shares of the total sugar consumed domestically) were beverage producers (22 percent); bakery, cereal, and allied products producers (14 percent); confectionery producers (10 percent); fruit and vegetable processors (9 percent); and dairy-product and other food and nonfood producers, the remainder (12 percent).

1/ Reducing sugars are the glucose and fructose content of a sugar sirup.

2/ Polariscopic testing measures the rotation of a beam of polarized light passed through standardized solutions of sugar. The degrees of polarization serve as a measure of the sucrose content of the solution.

There is currently little nonfood use of sugar in the United States and even less, proportionately, in the rest of the world. However, sugar is a renewable resource with a fairly basic hydrocarbon structure, and thus has a potential in industrial use as a raw material for making some organic chemicals that are now made from petroleum-based products.

Alternative sweeteners.—The principal alternatives to sugar in sweetener markets are corn-based sweeteners. Other caloric sweeteners include molasses, maple sirup, honey, sorghum sirup, lactose, and levulose. Noncaloric sweeteners include saccharin, cyclamates, and aspartic-acid-based sweeteners.

Corn sweeteners are derived from cornstarch by hydrolysis, usually with enzyme processes. The products of this process include anhydrous and monohydrate dextrose and glucose sirups (including a new product called high-fructose sirup, also known as isomerized corn sirup). Corn sweeteners have generally been cheaper than sugar. Because their glucose (dextrose) base is less sweet than sucrose, their application has been limited. However, high-fructose sirup contains about half fructose (levulose) and half glucose; it is believed to be equivalent to invert sugar sirup and to sucrose liquid sugar in sweetening power and may be a perfect substitute for invert sugar sirup. High-fructose sirup has become very competitive with sugar in certain uses, and the corn sweetener industry is rapidly expanding its capacity to produce it. Corn sirup is marketed almost entirely for industrial use and, in general, is used in mixtures with sugar sirups in specific formulation for the intended product.

A byproduct of sugar production--molasses--has some sweetening power owing to its unrecovered sucrose and invert sugar content. It is used, mostly for its carbohydrate content, in livestock feeds. Molasses also acts as a binder, and its sweetening effect improves the palatability of mixed livestock feeds. Some specialty molasses is used for human consumption, largely for its flavoring characteristics. Molasses is also used in rum production and as a bacterial culture medium.

Maple sirup, produced from the sap of maple trees, is sold at premium prices for its flavoring characteristics. Honey, produced by bees from the nectar of flowers, is also sold at premium prices for its flavoring characteristics. Most maple sirup and honey are sold for table use, with only small quantities going to industrial uses. Lactose, also known as milk sugar, is derived from milk. Levulose, or fruit sugar, is fructose derived primarily from invert sugar in recent years. Both of these products have high production costs and are primarily for pharmaceutical use. They are marketed on the basis of their characteristics and are not particularly competitive with other sweeteners.

Noncaloric alternatives to sugar consist of such sweeteners as saccharin, cyclamates, and aspartic-acid-based sweeteners. These sweeteners command a premium for their noncaloric characteristics and are generally much more powerful sweeteners per pound than sucrose. 1/ However, producers of noncaloric sweeteners have had difficulty in obtaining and maintaining clearance from the Food and Drug Administration (FDA) for the use of such sweeteners in human consumption. Saccharin is the only sweetener currently approved for food use in the United States; however, it has only limited potential because of its slightly bitter aftertaste. Because noncaloric sweeteners generally have much more complex formulations th n the saccharides, they have been alleged to be hazardous to human health, in particular as carcinogenic agents.

U.S. customs treatment

Sugar beets and sugar cane.—Sugar beets and sugar cane in their natural states are classified for tariff purposes in items 155.10 and 155.12, respectively, of the TSUS. 2/ Both the column 1 and column 2 rates of duty are 80 cents per short ton for sugar beets and $2.50 per short ton for sugar cane. These products are too perishable and bulky for any substantial world trade. Thus, U.S. imports generally have been negligible, and no trade-agreement concessions have been made. However, in 1976 and 1977 there were small border imports of sugar beets from Canada for processing in the Maine beet plant, which has since closed. The rates of duty cited above are the original statutory rates.

Sugar beets and sugar cane in other forms suitable for the commercial extraction of sugar are classified in TSUS item 155.15; the column 1 rate is 0.5 cent per pound of total sugars. In the Tariff Act of 1930, these articles were dutiable at 75 percent of the rate applicable to manufactured sugar of like polariscopic test. The current rates of duty were established, pursuant to the adoption of the TSUS, as approximately equal (with some differences due to rounding) to the rates on crystalline sugar. World trade in and U.S. imports of these articles have been negligible.

Raw and refined sugar.—The TSUS does not attempt to separately identify sugars, sirups, or molasses by name for classification purposes. Rather, products in this group are classified in accordance with their chemical and physical properties, regardless of the name by which a particular product may be called. Under the description "sugars, sirups, and molasses, derived from sugar cane or sugar beets, principally of crystalline structure or in a dry amorphous form" (TSUS item 155.20) are classified all the solid sugars of commerce, including raw and refined sugar, and such specialty sugars as brown sugar, powdered sugar, and sugar cubes.

1/ Measuring sweetening power is not an exact science since sweetness is subjective. However, saccharin has been estimated in various experiments to be 200 to 700 times as sweet as sucrose.

2/ The appropriate pages of the Tariff Schedules of the United States are reproduced in app. B of this report.

From September 21, 1976, to November 11, 1977, the column 1 and column 2 rates of duty for sugar in item 155.20 were 1.9875 cents per pound less 0.028125 cent per pound for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.284375 cents per pound, pursuant to Presidential Proclamation 4463. The term "degree" in these rates of duty means sugar degree as determined by polariscopic test as noted in headnote 1, subpart A, part 10, schedule 1, of the TSUS.

On November 11, 1977, pursuant to Presidential Proclamation 4539, the column 1 rate of duty in item 155.20 was raised by 50 percent to 2.98125 cents per pound less 0.0421875 cent per pound for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9267625 cents per pound. By general headnote 4(b) of the TSUS, the column 2 rate was raised to the same level. Sugar exported or contracted for prior to November 11, 1977, and entered on or before January 1, 1978, was not subject to these increased rates of duty. Currently, all countries exporting sugar to the United States are subject to the same rates of duty except for certain countries eligible for duty-free treatment under the Generalized System of Preferences.

The column 2 rate of duty for sugar in item 155.20 before November 11, 1977, was derived from the rate of duty established by Presidential Proclamation 2085, following an investigation made by the United States Tariff Commission (the former name of the U.S. International Trade Commission) under section 336 of the Tariff Act of 1930. This column 2 rate had been in effect as the statutory rate from June 8, 1934, until November 11, 1977, when it was revised upward pursuant to Presidential Proclamation 4539. The statutory rate had been reduced in column 1 by trade-agreement negotiations to 0.6625 cent per pound less 0.009375 cent per pound for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.428125 cent per pound. This column 1 rate resulted from a concession granted under the General Agreement on Tariffs and Trade (GATT) at Torquay, England, and was in effect from June 6, 1951, until September 21, 1976. 1/

1/ The rate of duty for sugar, if product of Cuba, in item 155.21 was derived from preferential rates of duty applicable to Cuban products including sugars, sirups, and molasses, was suspended on May 24, 1962 (Public Law 87-456). Presidential Proclamation 3447 prohibited all imports of Cuban products effective Feb. 1, 1962.

Under the terms of the Philippine Trade Agreement Revision Act of 1955, Philippine sugar had been dutiable at special preferential rates based on a percentage of the Cuban preferential rate of duty, with the level of preference reduced periodically until products of the Philippines became subject to col. 1 rates of duty on July 4, 1974. The staged reductions of preference allowed the rates of duty on Philippine sugar to increase gradually until sugar from the Philippines had tariff status equivalent with that of other countries after many years of duty-free treatment in the U.S. market.

Presidential Proclamation 4538, issued November 11, 1977, pursuant to section 22 of the Agriculture Adjustment Act, as amended, provided for additional import fees for certain sugar in TSUS item 155.20. For sugar in item 155.20 valued not more than 6.67 cents per pound, the additional fee under TSUS item 956.10 was 50 percent ad valorem. For sugar in item 155.20 valued more than 6.67 cents per pound but not more than 10.0 cents per pound, the additional fee under TSUS item 956.20 was 3.32 cents per pound less the amount per pound by which the value exceeds 6.67 cents per pound. There was no additional fee for sugar in TSUS item 155.20 valued at more than 10.0 cents per pound. Sugar exported or contracted for prior to November 11, 1977, and entered on or before January 1, 1978, was not subject to these additional fees. Also, certain sugar imported for purposes of manufacturing polyhydric alcohols can be exempted from these fees by the importers' obtaining licenses from the U.S. Department of Agriculture.

Presidential Proclamation 4547, issued January 20, 1978, pursuant to section 22 of the Agriculture Adjustment Act, as amended, provided for changes in the additional import fees for certain sugars in TSUS item 155.20. For sugar in item 155.20 not to be futher refined or improved in quality, the additional fee under TSUS item 956.05 was established at 3.22 cents per pound, but not in excess of 50 percent ad valorem. For sugar in TSUS item 155.20 to be further refined or improved in quality, the additional fee under TSUS item 956.15 was established at 2.70 cents per pound, but not in excess of 50 percent ad valorem. The proclamation also established for sugars, sirups, and molasses in item 155.30 (all of which are assumed not to be further refined or improved in quality) an additional fee under TSUS item 957.15 of 3.22 cents per pound of total sugars, but not in excess of 50 percent ad valorem.

TSUS item 155.20 provides a rate formula for duty assessment based on sugar degrees as determined by polariscopic test. Duty is imposed on the weight of the imported sugar, whether raw or refined. Application of the rate formula based on sugar degrees is intended to yield the same duty per pound of recoverable sucrose content for raw sugar of varying concentrations as is applied to refined sugar (100 percent recoverable sucrose). While polarization is not a perfect measure of recoverable sucrose content, the approximation obtained by polariscopic testing is considered adequate enough to be the basis for sugar contracts throughout the international sugar trade. The International Commission on Uniform Methods of Sugar

Analysis establishes practices and procedures for polariscopic testing to insure uniform results. 1/

Liquid sugar and other sugar sirups.—Sugars, sirups, and molasses, derived from sugar cane or sugar beets, not principally of crystalline structure and not in dry amorphous form, containing soluble nonsugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6 percent or less by weight of the total soluble solids are classified for tariff purposes in TSUS item 155.30. Articles imported under this description are primarily liquid sugar and invert sugar sirups. Only high-purity sugar cane sirups can meet the nonsugar solids content requirements of item 155.30. Most sugar cane sirup and all molasses, which is the byproduct of cane milling or cane sugar refining, is classified under TSUS items 155.35 or 155.40, which are discussed later. Articles classified under item 155.30 are dutiable on total sugars at the rate per pound applicable under item 155.20 to sugar testing 100 degrees.

The column 1 and 2 rates of duty on liquid sugar and other sugar sirups under TSUS item 155.30 reflected increases in duty negotiated under the GATT in 1956, but not made fully effective until August 31, 1963. The rate in column 1 was increased to the same rate as in column 2 by Presidential Proclamation 4463, effective September 21, 1976, and the rates of duty in both column 1 and column 2 were raised on

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1/ U.S. imports of raw sugar are subject to rather special customs treatment. Before raw sugar can be imported into any port, the U.S. Customs Service must approve the facilities provided for sampling and weighing the sugar. In general, the bulk raw sugar is unloaded and weighed on scales approved and sealed by the Customs Service. A continuous sample of the raw sugar is drawn off during the weighing, and the importer is required to maintain adequate facilities for storing the samples. After sampling and weighing, raw sugar enters the raw sugar warehouse, where it may be commingled with domestic or other foreign merchandise before liquidation. (In some instances, raw sugar may even be refined and sold before liquidation.)

The Customs Service subjects the samples to polariscopic testing under rigorous testing conditions, and assesses duty on the results. At the same time samples of the imported raw sugar are drawn off for the Customs Service, samples are also drawn off for testing to provide results for pricing purposes. Three separate polariscopic tests are made on these samples, one by the importer, one by the exporter, and one by the New York Sugar Laboratory (an independent testing laboratory.) The mean of the results of the two closest polariscopic test results of these three tests is generally the basis for measuring quantity of sugar for the sugar price contract.

As a result of waiting for the results of these tests, the final price to be paid for raw sugar imports is often not determined until well after the entry has been liquidated. Hence, the statistics provided on sugar entry documents are often inaccurate both as to polariscopic test and (in particular) value.

November 11, 1977, by Presidential Proclamation 4539. Imports in TSUS item 155.30 are also subject to additional duties by Presidential Proclamation 4547, issued pursuant to section 22, as provided in TSUS item 957.15.

The tariff on liquid sugar and other sugar sirups under TSUS item 155.30 is based on the total sugars in the liquid solution as determined by chemical testing (a different method of measurement from polariscopic testing), which determines the weight of sucrose along with the content of any invert or reducing sugars in solution. The results of this form of testing may differ from those which would result from polariscopic testing, particularly for solutions with a substantial content of invert or reducing sugars.

Sugar snapback provision.—With the termination of the sugar-import-quota provisions of the Sugar Act of 1948 on December 31, 1974, the reduced rates of duty then in effect for imported sugar (col. 1 rates for TSUS items 155.20 and 155.30) would have reverted to the higher statutory rates shown in column 2 (approximately three times the rate), except that the President by Proclamation 4334 provided for other authorized import treatment. The possible reversion in the rates of duty on sugar and the authority for Presidential action to impose different import treatment thereon are provided for in headnote 2 to subpart A, part 10, schedule 1, of the TSUS, often called the snapback provision. 1/

Headnote 2(i) provides that upon termination of sugar quota legislation--

> . . . if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, to be effective not later than

1/ Headnote 2 states, in part, that "the rates in column numbered 1 . . . shall be effective only during such time as title II of the Sugar Act of 1948 or substantially equivalent legislation is in effect in the United States . . . ." Also, par. (d) of general headnote 4 of the TSUS provides that "whenever a proclaimed rate is terminated or suspended, the rate shall revert, unless otherwise provided, to the next intervening proclaimed rate previously superseded but not terminated . . ."; for items 155.20 and 155.30, the col. 1 rate would become the same as the respective statutory rates which are in col. 2.

the 90th day following the termination of the effectiveness of such legislation. 1/

The President's authority to proclaim rates and quotas under headnote 2 is derived from his authority under section 201(a)(2) of the Trade Expansion Act of 1962 (TEA), to--

> proclaim such modification or continuance of any existing duty or other import restriction, such continuance of existing duty-free or excise treatment, or such additional import restrictions, as he determines to be required or appropriate to carry out any such trade agreement (19 U.S.C. 1821(a)(2)).

This authority remains in force even after trade agreements are negotiated.

Headnote 2 fixes the column 1 rates in items 155.20 and 155.30 in effect on January 1, 1968, as the floor below which the President cannot reduce the duty. The ceiling for raising the duty, which is not expressly established by headnote 2, is derived from the statutory limitation of authority delegated to the President (in TEA sec. 201(a)(2)) to increase any rate of duty to a level not more than 50 percent above the rate existing on July 1, 1934. Since the present column 2 rates are the original statutory rates (effective since June 8, 1934), the ceiling on the President's authority under headnote 2 is 50 percent above the column 2 rate.

A proclamation under headnote 2(i) was issued on November 16, 1974, establishing rates of duty and quota limitations to become effective January 1, 1975. If there had been no such proclamation by March 31, 1975, the continuing power of the President to make any modification under headnote 2 would have lapsed, and the reversion of the rates of duty to the higher statutory rates would have remained in effect until changed pursuant to other authority.

Any rate of duty proclaimed under headnote 2(i) must be accompanied by the proclamation of quotas. 1/ If the snapback had occurred, there would have been no requirement that quota limitations be proclaimed. Any duty rates and quotas proclaimed under headnote 2(i) must give due consideration to the interests in the U.S. sugar market of domestic producers and materially affected contracting parties to the GATT. Pursuant to headnote 2(ii), the President may subsequently modify any action

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1/ The headnote first appeared in the 1951 Torquay Protocol to the GATT (TIAS 2420). It was subsequently contained in the 1967 Geneva Protocol to the GATT, with the footnote "This note is not in the Tariff Schedules of the United States on June 30, 1967." Thereafter, it was added to the TSUS by Presidential Proclamation 3822 (Dec. 16, 1967), which implemented the Kennedy round concessions.

taken under headnote 2(i) if he finds, owing to changed circumstances, that a modification in the duty rate or quota is required or appropriate to give effect to the interests of domestic producers and affected GATT contracting parties.

There is no expiration date for the President's authority to act under headnote 2(ii) now that he has acted under the authority of headnote 2(i) unless Congress enacts specific legislation substantially equivalent to title II of the Sugar Act of 1948, in which event the original concession rates would be restored. Congress could at any time enact legislation revoking the President's authority under headnote 2 and establishing any rate of duty and/or quota limitation deemed appropriate.

Reversion to the statutory rates or other restrictive action by the President pursuant to headnote 2 could not reasonably be considered a nullification or impairment of benefits derived from a trade agreement. Because headnote 2 was part of the 1950 Annecy and 1951 Torquay Protocols and was repeated in the 1967 Geneva Protocol, use of the provisions under headnote 2 would have been within the reasonable expectation of the parties. Indeed, the headnote 2 provisions were conditional limitations that formed part of the negotiated package whereby U.S. trading partners received the present column 1 rates.

In addition, the imposition of quotas under the terms of headnote 2 cannot be deemed a violation of article XI of the GATT, which places limitations on the imposition of quantitative import restrictions by contracting parties, notwithstanding that such action may not be within the specified exceptions in article XI. The contracting parties accepted the headnote, thereby acknowledging the right reserved to the United States to change rates of duty and impose quotas during any lapse in U.S. sugar legislation, despite any provisions of the GATT generally prohibiting quantitative restrictions.

On November 16, 1974, the President signed Proclamation 4334, which, pursuant to headnote 2, subpart A, part 10, of schedule 1 of the TSUS, applied the then-current column 1 rates of duty for items 155.20 and 155.30, thus negating any reversion of the rates of duty for the column 2 rates with the expiration of sugar-quota legislation on December 31, 1974. In addition, the proclamation modified the subpart mentioned above by adding a new headnote 3, which reads in part as follows:

> The total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered in any calendar year shall not exceed, in the aggregate, 7,000,000 short tons, raw value.

In its announcement, the White House indicated that this action was intended to avoid an increase in the tariff on imported sugar after December 31, 1974, which ultimately would have resulted in higher prices of sugar to consumers. To meet the requirement of headnote 2, quota limitation was needed, but the 7-million-short-ton quota was believed to be high enough to be inoperative as a limitation on imports. The quotas for sugar imports in 1974 under the Sugar Act amounted to about 6.7 million short tons, raw value, but only about 6 million tons was imported.

The quota of 7 million short tons, raw value, proclaimed by the President is for raw and refined sugar, liquid sugar, and certain sugar sirups, as defined in items 155.20 and 155.30. The global quota is applicable to imports from all countries. The proclamation included methods for determining the raw value of sugar for the purposes of this quota, which differed somewhat from the methods specified in the Sugar Act.

On September 21, 1976, the President signed Presidential Proclamation 4463, which, pursuant to headnote 2, subpart A, part 10, of schedule 1 of the TSUS, modified the column 1 rates of duty for items 155.20 and 155.30 by increasing the duty to the same rates provided in column 2. For sugar testing 96 degrees (raw value) through polariscopic testing, this was an increase from 0.625 cent per pound to 1.875 cents per pound. The proclamation made no change in the 7-million-short-ton quota and did not affect the duty-free treatment of sugar from designated beneficiary countries under the Generalized System of Preferences.

On October 4, 1976, the President signed Presidential Proclamation 4466, which provided for modification of proclamation 4463 regarding tariffs on certain sugars, sirups, and molasses. The President amended the effective date of the tariff increase in Proclamation 4463 so that the provision would not be effective with respect to articles exported to the United States before 12:01 a.m., e.d.t., on September 21, 1976, provided that such articles were entered or withdrawn from warehouse for consumption on or before November 8, 1976. This was in order to alleviate hardships which might result from the sudden increase in the rate of duty with respect to such goods.

Since sugar imports are contracted for in advance of delivery, some importers would certainly have suffered a hardship from the sudden increase in duty. In fact, one large sugar-importing firm did go bankrupt, in part as a result of the sudden increase in duties. However, depending on the pricing terms of such contracts, the change in the effective date may have provided some importers with substantial windfall profits and saved other importers from serious losses.

On November 11, 1977, Presidential Proclamation 4539 raised the column 1 rates of duty for TSUS items 155.20 and 155.30 to 50 percent above the column 2 (statutory) rates of duty pursuant to headnote 2. Pursuant to general headnote 4(b), the column 2 rates of duty were raised to the same level as in column 1. This was the maximum duty increase allowed under the President's authority to increase duties pursuant to the TEA (the authority under which headnote 2 as a trade agreement was negotiated). Imports of sugar exported or contracted for prior to November 11, 1977, and entered on or before January 1, 1978, were exempted from the duty increase.

Alternative sweeteners.—The TSUS also provides for other sweetening agents. The following discussion covers the tariff treatment of molasses, maple sugar products, corn sugar products, honey, and miscellaneous sweeteners.

Sugar, sirups, and molasses, derived from sugar cane or sugar beets, not principally of crystalline structure and not in dry amorphous form, containing soluble nonsugar solids (excluding any foreign substance that may have been added or developed in the product) equal to over 6 percent by weight of the total soluble solids are classified in items 155.35 and 155.40. 1/ If these articles are imported for human consumption or for the commercial extraction of sugar, they fall in item 155.35; all other imports are classified under item 155.40. The column 1 rate for item 155.40 is 0.012 cent per pound of total sugars; the column 2 rate is 0.03 cent per pound of total sugars. Because the rate of duty for item 155.40 is nearly negligible in relation to the costs of chemical testing for total sugars, the Customs Service only makes spot checks on the reported total sugars in imports of molasses. The ad valorem equivalents of the rates of duty on molasses are generally very low—in 1976, about 1 percent for item 155.35 and about 0.3 percent for item 155.40.

Maple sugar is classified under item 155.50 and is free of duty in column 1 and dutiable at 6 cents per pound in column 2. Maple sirup is classified under 155.55 and is free of duty in column 1 and dutiable at 4 cents per pound in column 2.

Dextrose is classified under item 155.60 and dextrose sirup, under item 155.65. The latter item covers glucose sirup, including corn sirup and glucose sirup derived from other starch sources, and high-fructose sirup. Items 155.60 and 155.65 both have column 1 rates of duty of 1.6 cents per pound and column 2 rates of 2 cents per pound.

Honey is classified under item 155.70 and is dutiable in column 1 at 1 cent per pound and in column 2 at 3 cents per pound. On June 29, 1976, the Commission reported to the President its determination, findings, and recommendations in an investigation on imports of honey (No. TA-201-14) under section 201 of the Trade Act. The Commission found that increased imports of honey constituted a threat of serious injury to the domestic honey industry, thereby entitling it to import relief. The Commission recommended to the President import relief in the form of a tariff-rate-quota system which would have allowed 30 million pounds of honey to be imported each

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1/ The rates of duty for products of Cuba, TSUS items 155.36 and 155.41, are suspended, and imports from that country are embargoed.

year into the United States at the current tariff of 1 cent per pound. All imports exceeding that amount in any given year would have been subject to an additional tariff of 30 percent ad valorem during the first 3 years after the relief became effective. During the fourth year, the additional tariff would have decreased to 20 percent ad valorem, and during the fifth year it would have decreased to 10 percent ad valorem. The relief would have terminated at the end of the fifth year. On August 28, 1976, the President determined that import relief for commercial producers of honey was not in the national economic interest of the United States.

Lactose is classified under item 493.65 and is dutiable in column 1 at 10 percent ad valorem and in column 2 at 50 percent ad valorem. Levulose (fructose) is classified under item 493.66 and is dutiable in column 1 at 20 percent ad valorem and in column 2 at 50 percent ad valorem.

Sugars, sirups, and molasses, derived from sources other than sugar cane or sugar beets (for example, sweet sorghum or palm hearts), are believed to be classifiable under item 798.00. Item 798.00 covers any article not provided for elsewhere in the TSUS and requires that that article be chargeable with the same duty as an enumerated article most resembling it as to use. Such articles would be dutiable at the same rates of duty as sugars, sirups, or molasses, derived from sugar cane or sugar beets (C.I.E. 452162 dealing with classification of palm sugar).

Generalized System of Preferences.—Sugar classified under TSUS item 155.20 was designated as an eligible article for GSP duty-free treatment. The granting of GSP treatment has complicated the U.S. sugar import situation. Title V of the Trade Act of 1974, which provides for the Generalized System of Preferences, states (in sec. 504):

> (c)(1) Whenever the President determines that any country—
> (A) has exported (directly or indirectly) to the United States during a calendar year a quantity of an eligible article having an appraised value in excess of an amount which bears the same ratio to $25,000,000 as the gross national product of the United States for the preceding calendar year, as determined by the Department of Commerce, bears to the gross national product of the United States for the calendar year 1974 . . . .
> then, not later than 60 days after the close of such calendar year, such country shall not be treated as a beneficiary developing country with respect to such article . . . .
> (2) A country which is no longer treated as a beneficiary developing country with respect to an eligible article by reason of this subsection may be redesignated . . . . if imports of such article from such country did not exceed the limitations in paragraph (1) of this subsection during the preceding calendar year (19 U.S.C. 2464(c)).

More countries have exceeded the competitive-need criterion for sugar than for any other article eligible for GSP treatment, partly because of the very high prices for sugar that prevailed in 1974 and 1975. However, the list of countries that exceed the competive-need criterion changes èvery year, causing a continuing problem of whether to reinstate countries for eligibility for GSP treatment for sugar imports (table 1). Effective March 1, 1976, two countries, Mexico and Guatemala, were reinstated as a result of imports below $26.6 million in 1975. However, although several countries--Argentina, Brazil, Republic of China, Colombia, Guyana, Jamaica, Panama, and Thailand--did not exceed the competitive-need criterion of $29.9 million in 1976, none of these countries were reinstated in 1977. On the basis of 1977 imports, Nicaragua, El Salvador, Panama, the Republic of China, Jamaica, Guyana, India, and Thailand are eligible for reinstatement in 1978, but have not been reinstated.

One result of GSP treatment for sugar has been some shifting among sources of U.S. sugar imports, with import levels from GSP suppliers increasing and imports from suppliers not eligible for GSP decreasing except among the largest suppliers. In addition, there is evidence that some suppliers are timing their exports of sugar to the United States so as to take advantage of GSP treatment. If reinstatement for GSP were automatic, it is conceivable that a country could go on and off the eligible list for sugar every other year yet ship the vast majority of sugar duty free. In 1976, about 17 percent of U.S. imports were from GSP suppliers. In 1977, a similar percentage was anticipated until the surge of imports occurred in December. As a result, GSP suppliers accounted for only 13 percent of U.S. imports (table 2).

The value information used for the determination of GSP eligibility is not very good, as is evidenced by the revaluation of Costa Rican imports in 1975 from the first official report of $37.7 million down to $19 million; Costa Rica was thus made eligible for GSP treatment in 1976 retroactively. Because of the questionable valuation it is difficult to assess the impact of GSP treatment on prices received by GSP suppliers. In general, it appears that GSP suppliers are not receiving more than part of the duty advantage that would be expected from GSP duty-free treatment since the unit value of GSP imports has not been higher than the unit value of all imports. Apparently U.S. importers are to a large extent the principal beneficiaries of GSP duty-free treatment.

When the President raised duties and imposed import fees under section 22 to protect the price-support program for sugar, GSP treatment for sugar was allowed to continue. As a result, GSP suppliers still get duty-free treatment rather than pay the regular duty of 2.8125 cents per pound, raw value, on sugar. However, since section 22 import fees are not subject to trade-agreement concessions, the import fee of 2.70 cents per pound does apply to GSP imports. GSP treatment for sugar is not constructive in achieving the price-support objective, although because of the low volume of GSP imports so far, it has not had a measurable adverse impact.

Table 1.--Sugar (TSUS item 155.20): U.S. imports, by sources, 1974-77

(In millions of dollars)

Source	1974	1975	1976	1977
*Philippines	1/ 503.4	2/ 218.6	3/ 226.7	4/ 245.7
*Dominican Republic	1/ 244.7	2/ 441.0	3/ 215.2	4/ 162.0
*Brazil	1/ 402.2	2/ 99.7	5/ -	4/ 90.1
Australia 6/	147.2	202.4	84.5	77.2
*Guatemala	1/ 38.7	7/ 25.3	3/ 80.4	4/ 58.4
*Peru	1/ 155.2	2/ 92.2	3/ 96.9	4/ 47.1
*Argentina	1/ 60.2	2/ 46.1	5/ 24.8	4/ 46.9
South Africa 6/	22.8	56.1	25.3	46.3
Canada 6/	8/	13.7	10.1	27.7
*Nicaragua	12.4	2/ 29.9	3/ 43.3	9/ 23.2
*El Salvador	19.2	2/ 54.2	3/ 36.2	9/ 22.8
*Panama	22.8	2/ 52.2	5/ 27.4	9/ 22.1
*Mozambique	5.0	5.3	7.6	20.6
*Costa Rica	1/ 32.6	10/ 37.7	18.3	17.2
*Republic of China	1/ 31.3	2/ 101.6	5/ 24.2	9/ 14.8
*Swaziland	17.7	13.9	8.2	11.6
*Mauritius	19.1	10.4	5.0	9.5
*Trinidad and Tobago	13.4	9.6	22.1	9.0
*Bolivia	1.8	1.2	9.9	8.6
Ecuador 11/	36.1	12.7	9.7	8.4
*Barbados	13.2	15.6	10.0	6.8
*Belize	22.1	24.6	4.0	6.2
*Malawi	6.3	9.1	4.0	6.2
*Jamaica	1/ 38.6	2/ 34.3	5/ 20.0	9/ 6.1
West Germany 6/	-	8/	.3	5.3
France 6/	-	-	4.1	4.8
*Honduras	5.2	1.9	1.2	4.7
*Guyana	1/ 41.0	2/ 43.0	5/ 12.6	9/ 3.6
*St. Christopher-Nevis-Anguilla	1.0	3.4	5.2	3.6
*Colombia	1/ 44.4	2/ 59.9	5/ 28.8	9/ 2.6
*Fiji	11.7	17.0	-	2.4
*Malagasy Republic	6.6	7.6	3.8	2.3
Denmark 6/	-	8/	-	.5
Belgium 6/	-	-	.2	.3
*Republic of Korea	-	3.9	.4	.1
*Mexico	1/ 229.2	7/ 20.6	.1	.1
*India	1/ 32.8	2/ 54.0	3/ 52.8	9/ 8/
United Kingdom 6/	-	.2	.4	8/
People's Republic of China 12/	8/	8/	8/	8/
*Hong Kong	-	-	8/	8/
Sweden 6/	8/	8/	8/	8/
*Kenya	-	-	-	8/
Japan 6/	8/	-	8/	8/

See footnotes at end of table.

Table 1.--Sugar (TSUS item 155.20): U.S. imports, by sources, 1974-77--Continued

(In millions of dollars)

Source	1974	1975	1976	1977
*Thailand	6.1	2/ 45.0	5/ 19.8	9/ -
*Paraguay	5.4	3.1	2.5	-
*Haiti	5.9	4.6	1.6	-
*Uruguay	-	-	.9	-
*Netherlands Antilles	-	.9	-	-
Venezuela 11/	-	.1	-	-
Total	2,255.5	1,872.1	1,148.4	1,024.8

* Designated beneficiary for GSP duty-free treatment.

1/ Imports were in excess of $25.0 million in 1974, therefore, pursuant to the competitive-need criterion (19 U.S.C. 2452(c)(1)), this source was ineligible for GSP treatment for sugar from Jan. 1, 1976, to Feb. 29, 1976.

2/ Imports were in excess of $26.6 million in 1975, therefore, pursuant to the competitive-need criterion, this source was ineligible for GSP treatment for sugar from Mar. 1, 1976, to Feb. 28, 1977.

3/ Imports were in excess of $29.9 million in 1976, therefore, pursuant to the competitive-need criterion, this source was ineligible for GSP treatment for sugar from Mar. 1, 1977, to Feb. 28, 1978.

4/ Imports were in excess of $33.4 million in 1977, therefore, pursuant to the competitive-need criterion, this source is ineligible for GSP treatment for sugar from Mar. 1, 1978, to Feb. 28, 1979.

5/ Although imports were below $29.9 million in 1976, this source was ineligible for GSP treatment for sugar from Mar. 1, 1977, to Feb. 28, 1978, because no sources that were ineligible pursuant to the competitive-need criterion in 1976 were reinstated for eligibility in 1977.

6/ This source is ineligible to be a designated beneficiary because it is on a list of developed countries named by the U.S. Congress (19 U.S.C. 2462(b)).

7/ Imports were below $26.6 million in 1975 and this source was reinstated as eligible for GSP treatment for sugar from Mar. 1, 1976, to Feb. 28, 1977 (19 U.S.C. 2464(c)(2)).

8/ Less than $50,000.

9/ Imports were less than $33.4 million in 1977, therefore, this source could potentially be reinstated for eligibility for GSP treatnebt for sugar from Mar. 1, 1978, to Feb. 28, 1979.

10/ Imports from Costa Rica were in excess of $26.6 million in 1975, but pursuant to revaluation of the value of imports to $19 million, Costa Rica was reinstated to eligibility for GSP treatment for sugar from Mar. 1, 1976, to Feb. 28, 1977.

11/ This source is ineligible to be a designated beneficiary because of membership in the Organization of Petroleum Exporting Countries (19 U.S.C. 2462(b)(2)).

12/ This source is ineligible to be a designated beneficiary because it is a Communist country (19 U.S.C. 2462(b)(1)).

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Sugar (TSUS item 155.20): U.S. imports, total and GSP, 1977

Source	Total U.S. imports		GSP imports 1/	
	Quantity	Value	Quantity	Value
	Pounds, tel quel		Pounds, tel quel	
*Philippines 2/	2,596,385,014	$245,709,778	0	-
*Dominican Republic 2/	1,900,011,227	162,014,398	0	-
*Brazil 2/	1,109,188,787	90,115,573	0	-
Australia 3/	937,317,531	77,192,499	0	-
*Guatemala 4/	643,329,185	58,355,351	279,308,404	$26,435,607
*Peru 2/	558,352,421	47,106,335	0	-
*Argentina 2/	582,638,748	46,884,459	0	-
South Africa 3/	535,756,364	46,324,711	0	-
Canada 3/	211,908,395	27,675,153	0	-
*Nicaragua 2/	258,145,139	23,187,689	0	-
*El Salvador 2/	279,046,026	22,780,325	0	-
*Panama 2/	253,782,304	22,069,297	0	-
*Mozambique	216,005,148	20,588,813	216,005,148	20,588,813
*Costa Rica	185,760,473	17,182,951	185,760,473	17,182,951
*Republic of China 2/	167,550,410	14,837,654	0	-
*Swaziland	117,359,782	11,600,438	117,359,782	11,600,438
*Mauritius	110,714,610	9,473,890	110,714,610	9,473,890
*Trinidad and Tobago	95,491,586	8,977,550	95,491,586	8,977,550
*Bolivia	93,861,475	8,577,525	93,861,475	8,577,525
Ecuador 5/	108,579,865	8,389,007	0	-
*Barbados	71,952,571	6,826,041	71,952,571	6,826,041
*Belize	67,874,374	6,204,488	67,874,374	6,204,488
*Malawi	74,511,634	6,171,629	74,511,634	6,171,629
*Jamaica 2/	69,307,974	6,057,516	0	-
West Germany 3/	37,709,734	5,330,934	0	-
France 3/	57,667,661	4,819,687	0	-
*Honduras	55,097,470	4,719,942	55,097,470	4,719,942
*Guyana 2/	40,280,638	3,631,902	0	-
*St. Christopher-Nevis-Anguilla	39,096,204	3,622,762	39,096,204	3,622,762
*Colombia 2/	27,720,648	2,630,941	0	-
*Fiji	35,072,474	2,434,320	35,072,474	2,434,320
*Malagasy Republic	23,148,160	2,314,816	23,148,160	2,314,816
Denmark 3/	5,799,144	516,930	0	-
Belgium 3/	3,254,282	279,215	0	-
*Republic of Korea	687,392	98,241	687,392	98,241
*Mexico	238,624	51,358	238,624	51,358
*India 2/	66,485	17,651	0	-
United Kingdom 3/	23,260	9,789	0	-
People's Republic of China 6/	34,500	7,848	0	-
*Hong Kong	8,250	2,919	8,250	2,919
Sweden 3/	7,614	2,785	0	-
*Kenya	2,375	1,386	2,375	1,386
Japan 3/	1,819	1,369	0	-
Total	11,570,747,777	1,024,797,865	1,466,191,006	135,284,676

* Designated beneficiary for GSP duty-free treatment.

1/ Imports which were eligible for GSP treatment, whether or not the importer applied for GSP treatment, and whether or not the U.S. Customs Service authorized such treatment.

2/ Designated beneficiary ineligible for GSP treatment for sugar because of the competitive-need criterion from Mar. 1, 1976, to Feb. 28, 1978.

3/ Developed source specifically excluded from eligibility for GSP treatment by the Congress.

4/ Designated beneficiary ineligible for GSP treatment for sugar because of the competitive-need criterion from Mar. 1, 1977, to Feb. 28, 1978.

5/ Source excluded for eligibility for GSP treatment because of membership in OPEC. A-31

6/ Communist source excluded from eligibility for GSP treatment.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Other Government regulations affecting sugar

The Sugar Act.—On June 6, 1974, the House of Representatives rejected amendments to extend the Sugar Act of 1948 as proposed by the House Agriculture Committee. Thus, most of the provisions of the 1948 legislation expired on December 31, 1974.

Beginning with the Jones-Costigan Act of 1934, the United States substituted quotas in preference to the tariff as the effective instrument of national policy with respect to imports of sugar. This course followed a recommendation made by the United States Tariff Commission in an investigation under section 336 of the Tariff Act of 1930. The shift to a quota system was accompanied by a large reduction in the preferential tariff on sugar from Cuba, the principal foreign supplier at the time. This isolated the sugar markets of the United States and Cuba from the highly unstable world market. The limitation of supply, accompanied by a reduction in duty, enabled domestic and Cuban suppliers to the U.S. market to stabilize returns at an "acceptable" (higher price) level.

Through the years since 1934 there were changes in the specifics of the U.S. sugar acts. Most imports under quota came from Cuba until July 6, 1960, when diplomatic relations between the two countries were suspended, and the quota for Cuban sugar was withheld. All trade with Cuba was prohibited by Presidential Proclamation 3447 of February 3, 1962. From July 6, 1960, to December 31, 1974, the Cuban quota was prorated among other foreign suppliers. As a result, quotas were allotted to almost every raw sugar exporter in the world. The material which follows is a brief characterization of the specifics of the Sugar Act of 1948, as amended in 1971; the act expired on December 31, 1974.

Under the Sugar Act, the Secretary of Agriculture estimated the annual quantity of sugar that could be consumed in the continental United States at a prescribed price objective. This price objective during 1972-74 was the price for raw sugar that would maintain the same ratio to the average of the parity and wholesale price indexes as that which prevailed during September 1970-August 1971. The parity index is the index of prices paid by farmers for commodities and services bought for operating farms and for family living, and for interest, taxes, and farm wage rates. The indexes are calculated monthly. The act specified mandatory changes in quotas in an effort to attain the price objective if raw sugar prices varied from the price objective by more than a few percentage points. From November through February the range of acceptable variation was 3 percent; at other times it was 4 percent. This resulted in a price corridor of acceptable variation of raw sugar prices. 1/

1/ Beginning in July 1962, and continuing until the expiration of the act in December 1974, the price guideline for quota control was put in terms of raw sugar. Before then the price guideline had been in terms of refined sugar.

After the Secretary of Agriculture estimated the annual quantity of sugar (known as the domestic consumption requirement) that could be consumed at the price objective under the Sugar Act, this quantity was allocated by statutory formula among domestic and foreign suppliers of sugar. The statutory formula under the 1971 amendment allocated about 62 percent of the initial basic quota of 11.2 million short tons, raw value, to domestic areas, about 10 percent to the Philippines, and the remaining 28 percent to Cuba and 32 other countries. The quota for Cuba was withheld and prorated to other countries in the Western Hemisphere and to the Philippines. Any increase in the domestic consumption requirement of more than 11.2 million short tons; was allocated on the basis of 65 percent to domestic areas other than Hawaii and Puerto Rico and 35 percent to foreign countries. Hawaii and Puerto Rico had their own quotas for sugar, which were increased automatically if production exceeded the quota level.

When a domestic area or a foreign country in the Western Hemisphere could not fulfill its share of the quota, the deficit was prorated to other countries in the Western Hemisphere and to the Philippines (except in the Central American Common Market, where deficits could be made up by other members). When a country in the Eastern Hemisphere could not fulfill its quota, the deficit was prorated to other countries there.

Only small quantities of refined and liquid sugar were allowed to be imported under the Sugar Act. The effect was to allow only imports of raw sugar for further domestic refining. The sugar quotas did not apply to sugar brought into the United States for use in livestock feed, for the distillation of alcohol, or for export or processing for export.

Concurrent with the various sugar acts and amendments thereto, the Internal Revenue Code was amended to impose an excise tax on refined sugar 1/ manufactured in the United States and Puerto Rico (IRC Sec. 4501). During August 1963-June 1975, the tax was 0.53 cent per pound of total sugars (excluding water and impurities). The TSUS had provided a corresponding additional duty on imported refined sugar and on the sugar content of imported articles (such as hard candy) in chief value of manufactured sugar.

The various sugar acts also provided for Government payments to growers of sugar cane and sugar beets, conditional upon the grower's observance of fair labor standards and production of not more than the farm's proportionate allotment of the particular domestic area's quota (when acreage allotments were in effect). The payments were made with respect to commercially recoverable sugar in the cane or beets on a sliding scale at a rate of 0.8 cent per pound for farms producing less than 350 short tons of recoverable sugar to a rate of 0.3 cent per pound for

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1/ The Internal Revenue Code used the term "manufactured sugar," defined as sugar derived from sugar cane or sugar beets which is not to be further refined or otherwise improved in quality.

farms producing more than 30,000 tons of recoverable sugar. Payments at the higher rate were received by most sugar beet farms and by most sugar cane farms in Louisiana and Puerto Rico. The very large farms producing sugar cane (located primarily in Hawaii and Florida) received payments at lower rates, but the individual payments were substantial, in some cases in excess of a million dollars to a single grower. The limitations placed on payments made on most agricultural commodities were not applied to sugar. In recent years prior to 1974, payments to sugar cane and beet growers averaged 10 to 15 percent of their total returns from cane and beets. Payments became a much smaller portion of total returns in 1974 and 1975 because of high sugar prices.

Payments to growers were made from the U.S. Treasury's general revenues. They were often measured against sugar excise tax receipts. During the last few years of the Sugar Act, payments to growers amounted to about $90 million annually; sugar excise tax receipts amounted to about $115 million. As a result of this comparison, the provisions of the Sugar Act were often called a self-supporting agricultural program.

The labor provisions of the Sugar Act resulted in minimum wages for sugar workers, the lowest of which among mainland producers was $1.90 per hour for certain workers in Louisiana. With no new sugar legislation, sugar workers fell under the Fair Labor Standards Act, which provided a minimum wage of $1.80 per hour. It is possible that the hourly wages of sugar workers, in the aggregate, did not fall much because of this change. To some extent the Sugar Act was responsible for sugar workers' being among the highest paid of all farm workers.

Application of other agricultural legislation to sugar.—Most agricultural legislation dealing with farm programs does not mention sugar since sugar was covered by the provisions of the Sugar Act. However, However, most farm legislation does not exclude sugar; thus, the Secretary of Agriculture can implement support programs for sugar if he deems it necessary to protect the domestic sugar-producing industry.

Section 814 of the Agricultural and Consumer Protection Act of 1973 provides:

> Notwithstanding any other provisions of this Act, the Secretary shall encourage the production of any crop of which the United States is a net importer and for which a price support program is not in effect by permitting the planting of such crop on set-aside acreage with no reduction in the rate of payment for the commodity (7 U.S.C. 1434).

This provision became applicable to sugar cane and sugar beets on January 1, 1975; however, there were no set-aside programs from 1975 to 1976. The economic impact of such a program on sugar cane and sugar beet growers would probably be minimal since processing capacity is the chief limitation on sugar beet production, and severe natural limitations as well as economic considerations preclude a large expansion of domestic sugar cane production.

The President has authority under section 204 of the Agricultural Act of 1956 to negotiate with representatives of foreign governments in an effort to obtain agreements limiting exports of an agricultural commodity to the United States. Sugar cane and sugar beets are excluded from domestic marketing agreements under the Agricultural Marketing Agreement Act of 1937.

The U.S. sweetener industry

About 55 percent of the sugar consumed annually in the United States comes from domestic sources (30 percent from sugar beets and 25 percent from sugar cane) and 45 percent comes from foreign sources (virtually all cane). In the 1976/77 crop year, domestic production totaled slightly more than 6.9 million short tons, raw value, and was composed of mainland beet sugar (3.9 million short tons), mainland cane sugar (1.7 million short tons), Hawaiian cane sugar (1.1 million short tons), and Puerto Rican cane sugar (0.3 million short tons).

During the period 1971/72 to 1975/76, domestic production of beet and cane sugar increased irregularly from 6.3 million to 7.3 million short tons, raw value; output in 1976/77 declined to 6.9 million tons and in 1977/78 is estimated at 6.3 million tons (table 3). In the same period, beet sugar output decreased from 3.6 million short tons in 1971/72 and 1972/73 to 2.9 million short tons in 1974/75; it increased to 4.0 million tons in 1975/76 and then declined to an estimated 3.4 million tons in 1977/78. Mainland cane sugar output increased from 1.2 million short tons in 1971/72 to 1.8 million tons in 1975/76. It declined to 1.7 million tons in 1976/77 and further to 1.6 million tons in 1977/78. Offshore production of cane sugar (i.e., in Hawaii and Puerto Rico) declined from 1.6 million short tons in 1971/72 to about 1.3 million tons in 1977/78, owing to declines in cane production in both areas.

U.S. sugar beet growers and beet sugar processors.—Sugar beets are currently produced in 18 States. The 10 leading producing States are California, Minnesota, North Dakota, Idaho, Michigan, Washington, Colorado, Nebraska, Wyoming, and Montana (table 4). In 1976/77, these 10 States accounted for 89 percent of the 1.5 million acres of sugar beets harvested and for 89 percent of the 29.4 million tons of sugar beets produced. The number of farms producing sugar beets in 1976/77 was most likely an increase from the 12,400 farms producing such beets in 1973/74 (the last year for which official statistics are available), but in 1977/78 there is believed to have been a sharp decline in the number of producers corresponding to the sharp drop to 1.2 million acres harvested.

Table 3.--Sugar: U.S. production, by producing areas, crop years 1971/72 to 1977/78 1/.

(In thousands of short tons, raw value)

Item and producing area	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78 2/
Cane sugar:							
Florida	635	961	824	803	1,061	930	879
Louisiana	571	660	558	594	640	650	610
Texas	-	-	38	74	126	94	95
Total, mainland	1,206	1,621	1,420	1,471	1,827	1,674	1,584
Hawaii	1,230	1,119	1,129	1,041	1,107	1,050	1,033
Puerto Rico	324	298	255	291	302	312	268
Total, offshore	1,554	1,417	1,384	1,332	1,409	1,362	1,301
Total, cane sugar	2,760	3,038	2,804	2,803	3,236	3,036	2,885
Beet sugar	3,552	3,624	3,200	2,916	4,019	3,895	3,367
Total sugar, cane and beet	6,312	6,662	6,004	5,719	7,255	6,931	6,252

1/ The crop year for beet sugar begins in September in all States except California and lowland areas of Arizona, where it begins in March and April, respectively. The Louisiana cane sugar crop year begins in October, that in Florida and Texas begins in November, that in Puerto Rico begins in December, and that in Hawaii, in January.

2/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 4.--Sugar beets: U.S. acres harvested, yield per harvested acre, and production, by producing States, crop years 1972/73 to 1977/78

Crop year 1/	California	Minnesota	North Dakota	Idaho	Michigan	Washington	Colorado	Nebraska	Wyoming	Montana	All other	Total
	Acres harvested (1,000 acres)											
1972/73	324.6	111.9	73.9	172.7	86.6	91.6	133.8	82.1	57.2	45.2	149.1	1,328.7
1973/74	262.6	131.2	79.3	144.3	86.7	91.7	113.7	74.4	54.1	44.6	134.9	1,217.5
1974/75	230.0	182.7	139.9	90.8	80.4	63.3	125.7	75.5	53.5	43.9	126.9	1,212.6
1975/76	326.3	196.0	130.9	158.3	91.4	82.4	154.9	96.0	57.7	48.5	174.2	1,516.6
1976/77	312.0	248.0	149.8	139.4	91.4	76.5	121.0	84.5	56.4	46.1	153.7	1,478.8
1977/78 2/	217.0	260.0	157.0	105.8	85.5	62.1	72.0	67.7	48.4	45.0	97.3	1,217.8
	Yield per acre (short tons)											
1972/73	27.8	14.0	13.6	20.5	14.0	25.5	19.4	20.1	20.0	18.6	20.5	21.4
1973/74	24.6	16.5	16.2	20.2	16.5	27.0	16.3	19.9	18.2	19.8	18.4	20.1
1974/75	25.9	11.6	11.2	20.3	17.0	24.5	18.0	18.3	18.4	18.7	18.0	18.2
1975/76	27.3	14.2	13.9	18.6	19.2	26.0	17.2	18.5	18.4	17.1	17.5	19.6
1976/77	28.6	12.2	13.5	20.7	16.8	24.4	19.0	20.0	20.7	21.0	19.6	19.9
1977/78 2/	26.0	18.2	17.8	19.6	21.0	25.8	19.5	20.0	19.6	19.9	19.2	20.6
	Production (1,000 short tons)											
1972/73	9,031	1,568	1,008	3,543	1,638	2.337	2,594	1,650	1,146	842	3,053	28,410
1973/74	6,447	2,169	1,284	2,921	1,524	2,476	1,851	1,482	985	883	2,477	24,499
1974/75	5,948	2,116	1,562	1,845	1,364	1,554	2,261	1,382	983	820	2,288	22,123
1975/76	8,892	2,783	1,820	2,942	1,755	2,142	2,661	1,776	1,060	829	3,044	29,704
1976/77	8,912	3,026	2,022	2,879	1,540	1,862	2,303	1,690	1,167	968	3,017	29,386
1977/78 2/	5.642	4.732	2,795	2,074	1,796	1,602	1.404	1,354	949	896	1,871	25,115

1/ The crop year begins in September in all States except California and lowland areas of Arizona, where it begins in March and April, respectively.
2/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Sugar beets are grown by farmers under contract to beet sugar processors. The contracts generally call for growers to deliver beets from a given acreage to processors and for processors to reimburse the growers on a basis which includes a percentage of the returns processors receive from the sale of the refined sugar. In 1976 there were 58 beet sugar factories owned by 13 companies or cooperatives scattered throughout the sugar-beet-producing regions in the United States. The 58 factories had a daily processing capacity of about 200,000 tons of sugar beets. The capital investment in the factories was about $550 million in 1973.

Hawaiian sugar cane growers and millers.—Hawaii is noted for having the highest yields of sugar cane per acre in the world. In the period 1971/72 to 1975/76, Hawaiian sugar cane yields ranged from 88.8 short tons per acre to 94.8 short tons and averaged 91.1 short tons (the equivalent of 10.5 short tons of sugar, raw value), compared with average U.S. mainland sugar cane yields of 27.5 short tons (2.7 short tons, raw value) per acre. There were more than 500 farms in Hawaii harvesting 105,000 acres of sugar cane in 1975/76, compared with over 700 farms harvesting 116,000 acres of sugar cane in 1971/72. About half the acreage is irrigated, and it produces two-thirds of the sugar cane harvested each year in Hawaii. Sugar cane production declined from 10.7 million short tons (1.2 million short tons, raw value) in 1971/72 to 9.1 million tons (1.0 million tons, raw value) in 1976/77 (table 5). Five large corporations, often called the five factors, 1/ account for the vast bulk of the acreage and production of Hawaiian sugar cane through their subsidiary producing and/or milling companies.

Over 95 percent of the raw sugar produced in Hawaii is refined on the U.S. mainland by the California & Hawaiian Sugar Co., a cooperative agricultural marketing association. The refining company is owned by 16 Hawaiian raw-sugar-producing and/or raw-sugar-milling companies, whose equity holdings are distributed substantially in the same proportions as the tonnages of raw sugar each markets through the association. These 16 companies own 18 factories in Hawaii with a daily processing capacity of about 60,000 short tons of sugar cane. The California & Hawaiian Sugar Co. also serves as the refining and marketing agency for independent nonmember sugar cane farmers in Hawaii.

Mainland sugar cane growers and millers.—Louisiana, Florida, and Texas are the principal mainland States producing sugar cane. From 1971/72 to 1975/76, production of sugar cane in these States increased more than 44 percent, from 12.5 million to 18.0 million short tons. Production declined to 17.1 million short tons in 1976/77 and to 16.0 million short tons in 1977/78.

1/ The five factors are C. Brewer & Co., Ltd.; Castle & Cooke, Inc.; Amfac, Inc.; Alexander & Baldwin, Inc.; and Theodore H. Davies & Co., Inc.

Table 5.--Sugar cane: U.S. acres harvested, yield per harvested acre, and production, by producing States, crop years 1971/72 to 1977/78

Crop year 1/	Florida	Louisiana	Texas	Hawaii	Puerto Rico	Total
	Acres harvested (1,000 acres)					
1971/72	189.9	301.0	0	115.8	153.4	760.1
1972/73	243.8	311.0	0	108.5	152.4	815.7
1973/74	257.6	319.0	18.2	108.2	132.1	835.1
1974/75	258.4	308.0	27.7	95.8	121.6	811.6
1975/76	286.6	308.0	35.0	105.1	137.5	872.2
1976/77	286.0	291.0	27.1	99.9	123.9	827.9
1977/78 2/	288.7	298.0	33.8	100.2	116.2	836.9
	Yield per harvested acre (short tons)					
1971/72	31.7	21.4	-	92.3	29.9	36.5
1972/73	38.1	25.8	-	91.6	28.7	38.8
1973/74	31.4	20.6	34.1	89.1	27.4	34.2
1974/75	27.8	21.3	32.4	94.8	29.5	33.6
1975/76	35.3	21.0	35.3	90.2	25.6	35.3
1976/77	32.6	25.6	35.8	91.8	29.3	36.9
1977/78 2/	29.0	24.5	35.5	97.5	27.3	35.6
	Production (1,000 short tons)					
1971/72	6,022	6,438	-	10,685	4,582	27,727
1972/73	9,289	8,022	-	9,929	4,382	31,622
1973/74	8,089	6,570	620	9,645	3,621	28,545
1974/75	7,184	6,558	898	9,081	3,585	27,305
1975/76	10,117	6,468	1,236	9,485	3,520	30,826
1976/77	9,324	7,451	971	9,173	3,630	30,549
1977/78 2/	8,372	7,301	1,200	9,769	3,177	29,819

1/ The crop year in Louisiana begins in October, that in Florida and Texas begins in November, that in Puerto Rico begins in December, and that in Hawaii begins in January.
2/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture, except as noted.

The mainland cane-milling industry takes sugar cane from growers and processes it into raw sugar. Because it rapidly becomes more difficult to recover sucrose from sugar cane once it has been cut, the cane mills are located close to the producing areas. In 1975/76, the 40 mainland cane-milling companies produced about 1.8 million short tons of raw sugar and several byproducts, such as blackstrap molasses and bagasse.

Sugar cane in Louisiana is grown on the flood plains of the bayous (mostly streams in the Mississippi Delta) which, owing to the silt deposited by flooding, are higher than the surrounding swampy terrain. Hence, the acreage that can be devoted to sugar cane in the Louisiana cane area is limited, and any expansion in production will probably be accomplished mostly by increasing yields. It is estimated by the U.S. Department of Agriculture that sugar cane was harvested from 291,000 acres in Louisiana in 1976/77, compared with the annual average of 306,330 acres during the period 1971/72 to 1976/77 (table 5). The number of farms producing sugar cane has most likely declined slightly from the 1,290 farms producing cane in 1973/74 (the last year for which official statistics are available).

The production of sugar cane in Louisiana increased from 6.4 million short tons in 1971/72 to 8.0 million tons in 1972/73. Production declined steadily to 6.5 million tons in 1975/76 and then increased to 7.5 million tons in 1976/77, but dropped to 7.3 million tons in 1977/78. The yield per harvested acre of sugar cane in Louisiana followed the general trend of production. Yield was 21.4 short tons in 1971/72 and increased to 25.8 tons per acre in 1972/73. Yield declined irregularly to 21.0 tons per acre in 1975/76 and then increased to 25.6 tons in 1976/77; it fell to 24.5 tons in 1977/78.

Over half the Louisiana crop is grown by owners of processing mills. In 1975/76, 31 companies operated 37 sugar-cane-processing mills. The 37 mills had a daily processing capacity of approximately 135,600 short tons of sugar cane.

In Florida, sugar cane production has increased rapidly. Acreage harvested increased steadily from 190,000 acres in 1971/72 to 286,000 acres in 1976/77, then dropped to 288,700 acres in 1977/78 (table 5). Production of sugar cane increased irregularly from 6.0 million short tons in 1971/72 to 10.1 million tons in 1975/76. The freeze in Florida reduced production in 1976/77 to 9.3 million tons. In 1973/74, there were 136 farms producing sugar cane in Florida (the last year for which official statistics are available), but the bulk of the production comes from a few large farms. Yield peaked in 1972/73 at 38.1 short tons per acre, declined to 27.8 tons in 1974/75, and then increased irregularly to 32.6 tons in 1976/77 and to 29.0 tons in 1977/78.

The land devoted to sugar cane in Florida is concentrated in the vicinity of Lake Okeechobee, where the "soil" consists of organic materials deposited over the centuries. As sugar cane crops are taken from this high-yielding base, the level of the organic material drops. Hence, sugar-cane-growing in Florida is in a sense a mining operation and eventually, when the organic material runs out, production may cease. 1/ Most of the sugar cane in Florida is produced by owners of cane sugar mills, of which there were eight in 1975/76. These mills have a daily sugar-cane-processing capacity of 82,000 short tons. One company in Florida that is both a processor and grower, the United States Sugar Corp., is the largest grower of sugar cane in the United States.

The Texas sugar cane industry began production in southern Texas in 1973/74. In that year 18,200 acres were harvested, and 620,000 short tons (38,000 short tons, raw value) of sugar cane was produced. In 1976/77, harvested acreage and tons produced rose to 27,000 acres and 97,000 tons respectively. In 1977/78, 34,000 acres were harvested, and 1.2 million tons were produced. Acreage yields of sugar cane in Texas increased from 34.1 tons in 1973/74 to 35.8 tons in 1976/77. The number of farms producing sugar cane in Texas has most likely increased significantly from the 93 farms producing in 1973/74 (the last year for which official statistics are available). In 1975/76, one sugar-cane-processing mill operated in Texas, with a daily capacity of 8,500 short tons of sugar cane.

Puerto Rican sugar cane growers and millers.—In the last decade, there has been a severe decline in the number of farms producing sugar cane and in output in Puerto Rico. The number of farms declined from 11,608 in 1963/64 to 2,551 in 1973/74 (the last year for which official statistics are available). In the same period, there was a concurrent decline in production from 9.8 million short tons (989,000 short tons, raw value) to 3.6 million tons (291,000 tons, raw value). After 1973/74, Puerto Rico's production of sugar (raw value) increased, and in 1976/77 it amounted to 303,000 tons; in 1977/78 production declined to 265,000 tons. The yield per acre of sugar (raw value) also increased, rising from 1.9 tons in 1973/74 to 2.4 tons in 1976/77.

The bulk of the sugar cane acreage and most of the sugar-cane-processing mills are owned, leased, or contracted for by the Sugar Corporation of Puerto Rico, a quasi-governmental corporation. In 1975/76, 12 sugar processing mills had a daily processing capacity of about 55,000 short tons.

Cane sugar refiners.—There are 22 cane sugar refineries in the continental United States, located mainly on the east and gulf coasts; one large refinery is located on the west coast. The 22 cane sugar refineries are operated by 12 cane-sugar-refining companies and 1 cooperative. Traditionally, cane sugar refiners have provided approximately 70 percent of the sugar consumed in the mainland U.S. sugar market. In 1975, 6.64 million short tons, raw value, of raw sugar (from both domestic and foreign sources) was melted by cane sugar refiners to produce 6.61 million tons, raw value, of refined sugar; 7.8 million tons, raw value, of refined sugar was produced in 1971.

1/ Enough organic material is believed to be available to sustain production into the middle of the 21st century.

Cane sugar refiners are the principal importers of raw sugar. They obtained about 61 percent of their raw sugar supplies from foreign sources in 1975, compared with 72 percent in 1974.

U.S. importers and sugar operators.—Besides the cane sugar refiners, which contract for the bulk of U.S. sugar imports, other importers and sugar operators buy supplies of raw, semirefined, or refined sugar in areas of surplus production, import the sugar, and arrange for the sale and delivery of the commodity to buyers (refiners, for raw sugar). The need for the importers' and sugar operators' services arises because producers cannot always find refiners willing to buy at the times and locations that producers have sugar to sell and vice versa. The importers' and sugar operators' services consist of financing the transaction, chartering the transportation vessels, and arranging for loading, export documentation, import documentation, and delivery to the buyers' docks. The operators also engage in significant trading in sugar futures markets, and many operate in the world sugar trade outside the U.S. market. In 1974, there were at least 16 importers and sugar operators dealing in raw sugar and an unknown number of importers dealing in refined sugar for direct consumption sales.

Industrial users and other consumers.—Industrial users account for nearly two-thirds of the annual deliveries of sugar in the United States. The largest industrial users include beverage producers; bakery, cereal, and allied products producers; confectionery producers; and fruit and vegetable processors. In 1976, the beverage industry was the largest industrial user, accounting for 36 percent of total industrial use. The bakery, cereal, and allied products producers were the next largest industrial users, accounting for 20 percent of total industrial sugar use; confectionery producers accounted for 14 percent; and fruit and vegetable processors, for 11 percent. The remaining 18 percent was utilized by a multitude of industrial users.

Nonindustrial users (institutional and retail consumers) accounted for about one-third of total sugar deliveries in 1976; in the late 1930's they accounted for about two-thirds. The nonindustrial users also depend more heavily on cane sugar than do the industrial users; in 1976 nonindustrial users obtained about three-quarters of their needs from cane refiners and one-quarter from beet processors.

Alternative sweeteners.—In 1976, there were 12 firms in the wet-corn-milling industry, 11 of which produced corn sweeteners in 16 plants. Two of the 11 firms also sold sugar, and 5 firms produced high-fructose sirup. Capacity for this product is expanding rapidly, and new manufacturers of high-fructose sirup are likely.

Molasses is a byproduct of sugar production and is produced by the sugar industry. Maple sirup is produced from the sap of maple trees by about 5,000 producers in the United States. The United States imports part of its needs from Canada, the only other major producer or market besides the United States. Maple sirup is primarily used as a table sirup or in table sirup blends. Sugar sirups, artificially flavored to imitate maple sirups, are the principal product competitive with maple sirup. Sugar marketing, therefore, can affect the maple sirup industry, but maple sirup production and marketing have little impact on the sugar industry.

There are about 1,500 commercial beekeepers and about 200,000 part-time and hobbyist beekeepers involved in the production of honey in the United States. Approximately 60 firms process and market most of the commercial honey in the United States, but one firm accounts for nearly 50 percent of the honey processed. The amount of honey sold is too small to have a subsubstantial impact on the U.S. sweeteners market, but sweeteners competitive with honey, notably high-fructose sirup, can affect honey marketing.

Saccharin is the principal noncaloric sweetener currently available on the U.S. sweetener market. One firm accounts for all U.S. production of saccharin. Saccharin's principal uses are as a sweetener for diabetics and for calorie-conscious consumers; some is used for pharmaceutical purposes.

Cyclamates are another major type of noncaloric sweetener; they were used in the U.S. market prior to 1970, when they were banned by FDA for food use. This ban still continues in effect despite appeals made by the major producing firm, which still produces cyclamates for export.

A new sweetener, aspartame (a dipeptide), is being developed for potential marketing by a U.S. producer. It has not yet received FDA clearance.

U.S. production

During 1971/72 to 1977/78, annual U.S. production of sugar made from cane and beets ranged from a low of 5.7 million short tons, raw value, in 1974/75 to a high of 7.3 million tons in 1975/76 and averaged 6.4 million tons. During the period, sugar production from cane ranged from a low of 2.8 million tons in 1971/72 to a high of 3.2 million tons in 1975/76 and averaged 2.9 million tons. Sugar production from beets ranged from a low of 2.9 million tons in 1974/75 to a high of 4.0 million tons in 1975/76 and averaged 3.5 million tons (table 6).

The value of U.S. sugar production, raw value, excluding that in Hawaii and Puerto Rico, increased dramatically from $554 million in 1971/72 to $1.7 billion in 1974/75. It declined to $860 million in 1976/77.

The average unit value of U.S. sugar production very closely followed the changes in the value of output, increasing from $116.49 per

Table 6.--Sugar: U.S. production, by types, crop years 1971/72 to 1977/78 1/

Type	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78 2/
	Quantity (1,000 short tons, raw value)						
Cane sugar:							
Mainland	1,206	1,621	1,420	1,471	1,827	1,674	1,584
Offshore	1,554	1,417	1,384	1,332	1,409	1,362	1,301
Total, cane	2,760	3,038	2,804	2,803	3,236	3,036	2,885
Beet sugar	3,552	3,624	3,200	2,916	4,019	3,895	3,367
Total, cane and beet	6,312	6,662	6,004	5,719	7,255	6,931	6,252
	Value (1,000 dollars)						
Cane sugar 3/	137,998	201,639	333,061	710,094	349,622	243,703	4/
Beet sugar	416,279	455,830	725,661	1,035,567	820,743	616,813	4/
Total	554,277	657,469	1,058,722	1,745,661	1,170,365	860,516	4/
	Unit value (per short ton, raw value)						
Cane sugar 3/	$114.43	$124.39	$234.55	$482.73	$191.36	$145.58	4/
Beet sugar	117.20	125.80	226.77	355.13	204.22	158.36	4/
Average	116.49	125.35	229.16	397.92	200.20	158.52	4/

1/ The crop year for beet sugar begins in September in all States except California and lowland areas of Arizona, where it begins in March and April, respectively. The Louisiana crop year begins in October, that in Florida and Texas begins in November, that in Puerto Rico begins in December, and that in Hawaii, in January.

2/ Preliminary.

3/ Mainland cane only; does not include Hawaii or Puerto Rico.

4/ Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

short ton, raw value, in 1971/72 to $397.92 per ton in 1974/75. It decreased in 1975/76 to $200.20 per ton and in 1976/77 to $154.52 per ton.

U.S. imports

The bulk of U.S. imports of sugar are entered as raw sugar under TSUS item 155.20. In addition, imports under item 155.20 include substantial quantities of refined sugar. Also important are U.S. imports of liquid sugar and other sugar sirups under TSUS item 155.30. However, before 1975, imports of refined and liquid sugar were virtually embargoed under the Sugar Act.

Annual U.S. imports of sugar under TSUS items 155.20 and 155.30 have varied considerably in recent years. 1/ In 1971, imports amounted to 5.6 million short tons, raw value. Imports declined to 5.5 million tons in 1972 as a result of Sugar Act amendments to increase the share of domestic sugar supplied by U.S. producers, and further declined to 5.3 million tons in 1973. In 1974, U.S. sugar imports were the highest ever at 5.8 million tons, but in 1975 they declined to 3.9 million tons, the lowest annual level since 1965. Imports in 1976 totaled 4.7 million tons. Imports in 1977 jumped to 6.1 million tons, largely because of a tremendous surge in imports entered in December to avoid increases in sugar duties (table 7).

U.S. imports of sugar are seasonal, with lower imports in the first quarter than in the second and third quarters of each year. Fourth quarter imports are generally lower than those in the second and third quarters, except that while the Sugar Act was in effect there were often surges in imports in the month of December as countries attempted to fill their yearly quotas.

Under the Sugar Act, low levels of imports of refined and liquid sugar were common in most years, with the amount varying significantly depending on the difference in U.S. and world prices. Since the expiration of the Sugar Act and the end of restrictive quotas on refined sugar, imports of such sugar have been rising to record levels (tables 7 and 8). Most of this increase is accounted for by increased border sales of refined sugar by Canadian sugar refineries. Total imports of refined sugar are a little more than 4 percent of total sugar imports.

Ratio of imports to domestic production.--The ratio of U.S. imports of sugar to domestic production decreased from 91 percent in 1971 to 84 percent in 1973, increased to 97 percent in 1974, and then declined sharply to 59 percent in 1975. The ratio rose to 65 percent in 1976 and to 96 percent in 1977 (table 9).

1/ Pursuant to Presidential Proclamation 4334 of Nov. 16, 1974, U.S. imports of sugar provided for under TSUS items 155.20 and 155.30 are subject to an annual quota limitation of 7 million short tons, raw value.

Table 7.--Sugar: U.S. imports, by sources and by types, 1972-77

(In short tons, raw value)

Source and type	1972	1973	1974	1975	1976	1977
Philippines	1,431,745	1,454,377	1,472,299	413,034	913,781	1,443,131
Dominican Republic	751,491	745,043	817,728	775,147	971,084	975,056
Brazil	637,330	652,084	783,330	197,131	0	660,427
Australia	229,696	265,388	241,705	479,163	469,534	493,620
Peru	443,678	407,410	471,145	215,679	312,726	312,794
Guatemala	77,337	62,552	95,934	60,606	330,578	300,938
South Africa	57,681	73,883	69,410	134,082	98,472	274,227
Argentina	87,843	84,759	109,755	112,318	86,729	267,177
El Salvador	54,348	59,880	65,127	107,466	143,154	166,028
West Indies 1/	174,271	40,836	282,146	237,537	243,978	159,745
Canada	3	0	1	39,990	49,457	138,027
Panama	41,646	52,273	65,525	98,250	95,031	131,162
Nicaragua	79,513	76,193	53,254	57,962	165,710	119,760
Mozambique	0	0	0	15,090	31,847	97,311
Costa Rica	84,156	99,705	78,515	56,240	65,076	95,365
Republic of China	86,080	86,198	90,059	139,963	86,534	86,055
Swaziland	32,067	30,186	41,360	35,795	45,923	61,643
Mauritius	31,723	44,599	45,527	26,741	29,811	57,363
Ecuador	94,309	93,156	59,628	46,770	28,441	55,380
Bolivia	0	7,549	5,714	3,507	52,990	49,473
Malawi	0	15,615	10,274	26,585	17,659	38,358
Belize	39,577	47,509	62,506	46,155	14,350	31,129
France	0	0	0	0	14,275	27,215
Honduras	13,328	0	8,455	6,073	7,483	25,054
West Germany	0	2	5	1	904	19,906
Fiji	45,984	44,605	46,083	1	0	18,407
Colombia	78,886	75,055	104,820	159,065	84,289	14,249
Malagasy Republic	13,119	12,130	13,088	13,022	13,400	12,052
Denmark	10	0	0	2	0	3,099
Belgium	0	0	2	0	717	1,690
Republic of Korea	0	0	0	10,615	940	288
Mexico	648,323	636,832	538,131	41,130	543	274
United Kingdom	15,745	5,247	0	29	84	44
India	84,104	81,445	84,902	187,624	188,545	32
Sweden	10	9	4	3	2	2
Hong Kong	27	1	0	0	0	1
Thailand	19,053	19,072	26,220	123,512	70,059	0
Paraguay	7,646	7,398	8,506	3,328	10,187	0
Haiti	22,521	15,294	18,807	11,622	6,218	0
Uruguay	0	0	0	0	5,229	0
Netherlands	0	0	0	22	1,538	0
Switzerland	0	0	0	0	745	0
Austria	0	0	10	0	16	0
Netherland Antilles	0	0	0	1,296	0	0
Venezuela	70,205	31,901	0	24	0	0
Japan	0	0	1	0	0	0
Ireland	5,357	1,107	0	0	0	0
Total	5,458,812	5,329,293	5,769,976	3,882,580	4,658,039	6,136,482
Refined imports	35,077	19,335	266	72,680	78,092	271,944
Raw imports	5,423,735	5,309,958	5,769,710	3,809,900	4,579,947	5,864,538

1/ West Indies consists of Jamaica, Guyana, Barbados, Trinidad and Tobago, and St. Christopher-Nevis-Anguilla.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 8.--Liquid sugar and other sugar sirups (TSUS item 155.30): U.S. imports for consumption, by selected sources, 1971-77

Source	1971	1972	1973	1974	1975	1976	1977
	Quantity (1,000 pounds of total sugars)						
Canada	0	3	0	0	22,557	36,990	58,199
United Kingdom	158	131	138	83	89	69	73
South Africa	0	0	0	0	0	46	34
Republic of China	0	0	0	0	0	0	4
Mexico	0	0	0	0	0	7	5
Guatemala	0	0	0	0	0	32	0
West Germany	0	0	0	0	4	9	0
Sweden	3	2	6	4	9	8	0
Swaziland	0	0	0	0	72	0	0
Australia	0	0	0	0	66	0	0
India	0	4	0	12	24	0	0
Other	0	2	9	0	11	0	0
Total	161	148	153	99	22,832	37,160	54,314
	Value (1,000 dollars)						
Canada	-	5	-	-	5,252	6,049	7,617
United Kingdom	27	27	29	35	42	22	24
South Africa	-	-	-	-	-	9	5
Republic of China	-	-	-	-	-	-	1
Mexico	-	-	-	-	-	6	1
Guatemala	-	-	-	-	-	5	-
West Germany	-	-	-	-	1	4	-
Sweden	1/	2	2	1	4	4	-
Swaziland	-	-	-	-	17	-	-
Australia	-	-	-	-	12	-	-
India	-	1	-	4	8	-	-
Other	-	2	2	-	1/	-	-
Total	28	35	32	39	5,339	6,098	7,648
	Unit value (cents per pound of total sugars)						
Canada	-	168.0	-	-	23.3	16.4	13.1
United Kingdom	17.3	20.3	20.7	41.5	47.5	32.3	33.0
South Africa	-	-	-	-	-	19.3	14.2
Republic of China	-	-	-	-	-	-	28.1
Mexico	-	-	-	-	-	83.7	19.9
Guatemala	-	-	-	-	-	16.7	-
West Germany	-	-	-	-	38.6	39.6	-
Sweden	15.6	20.2	25.3	32.8	43.6	45.1	-
Swaziland	-	-	-	-	23.3	-	-
Australia	-	-	-	-	18.3	-	-
India	-	23.5	-	30.4	32.3	-	-
Other	-	22.6	18.2	-	25.3	-	-
Average	17.3	23.4	20.7	39.8	23.4	16.4	13.1

A-47

1/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 9.--Sugar: U.S. production, imports, exports, ending stocks, and consumption, 1960-77

Year	Production	Imports	Exports	Ending stocks	Consumption 1/	Ratio of imports to-- Production	Ratio of imports to-- Consumption
	Million short tons, raw value					Percent	
1960	5.04	4.88	0.05	2.48	9.49	97	51
1961	5.40	4.41	.06	2.35	9.86	82	45
1962	5.42	4.68	.07	2.40	9.99	86	47
1963	5.88	4.59	.03	2.66	10.19	78	45
1964	6.60	3.63	.02	2.95	9.91	55	37
1965	6.27	4.03	.09	2.87	10.27	64	39
1966	6.18	4.50	.07	2.85	10.60	73	42
1967	6.12	4.80	.07	2.98	10.68	78	45
1968	6.28	5.13	.08	3.08	11.23	82	46
1969	5.97	4.89	.08	2.92	10.94	82	45
1970	6.34	5.30	.07	2.85	11.61	84	48
1971	6.14	5.59	.09	2.89	11.59	91	48
1972	6.32	5.46	.05	2.86	11.70	86	47
1973	6.32	5.33	.03	2.69	11.77	84	45
1974	5.96	5.77	.03	2.88	11.47	97	50
1975	6.61	3.88	.15	2.90	10.18	59	38
1976	7.12	4.66	.07	3.50	11.10	65	42
1977	6.37	6.14	.03	4.54	11.41	96	54

1/ Actual consumption, including human, livestock feed, alcohol, and refining loss.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Domestic production during 1971-75 increased from 6.14 million short tons, raw value, in 1971 to 6.32 million tons in 1973. Part of the increase can be attributed to the increased quotas allocated to the domestic sugar producers under the extension of the Sugar Act in 1971. Production declined to 5.96 million tons in 1974, principally because of sugar beet growers' cutting back their acreage in response to decreased earnings realized from sugar beets under wage and price controls, and higher prices which could be realized from competing crops. Production increased to 6.61 million tons in 1975 and 7.12 million tons in 1976. In 1977, it fell to 6.37 million tons. The expansion in production in 1975 and 1976 can be attributed to the high prices farmers received in 1974 for their sugar cane and sugar beet crops. The President and the Department of Agriculture had also requested farmers to expand production.

Imports declined from 5.59 million short tons in 1971 to 5.33 million tons in 1973, increased to 5.77 million tons in 1974, declined to 3.88 million tons in 1975, and then rose to 4.66 million tons in 1976. Imports were at record levels in 1977, in excess of 6.14 million tons.

During 1971-75, domestic production did not fluctuate much on a calendar-year basis when compared with imports, which ranged between 3.88 million and 5.77 million short tons, raw value; hence fluctuations in the ratios of imports to domestic production are closely correlated with fluctuations in import levels.

Ratio of imports to domestic consumption.—The ratio of U.S. imports of sugar to domestic consumption increased irregularly from 1971 to 1977. During 1971-73, the ratio declined from 48 to 45 percent. In 1974, it increased to 50 percent--the highest level since 1960--and then declined in 1975 to 38 percent, the lowest level since 1964. The ratio in 1976 was 42 percent, and in 1977, 54 percent. The ratio of imports to domestic consumption is more stable than that of imports to domestic production because of the mitigating effect of changes in stocks.

Leading suppliers of U.S. imports.—In 1976, the leading suppliers of U.S. imports of sugar (TSUS items 155.20 and 155.30) were the Dominican Republic, the Philippines, Australia, Guatemala, Peru, and the West Indies. Although 39 countries supplied sugar to the United States in 1976, the principal suppliers listed above accounted for 70 percent of the total.

The Dominican Republic's production was 1.25 million short tons, raw value, in crop year 1975, 1.4 million tons in 1976, and is estimated at 1.5 million tons in 1977. U.S. firms are involved in production of sugar there, and the United States is its principal export market, in recent years accounting for 65 to 70 percent of its exports. Imports from the Dominican Republic amounted to 775,000 tons in 1975, 971,000 tons in 1976, and 975,000 tons in 1977.

Philippine sugar production was 3.1 million short tons, raw value, in 1975, 2.8 million tons in 1976, and is estimated at 2.5 million tons in

238,000 tons in 1975 and 244,000 tons in 1976, but fell to 160,000 tons in 1977. Marketing of sugar from the West Indies in the United States is complicated by GSP duty-free treatment. Jamaica and Guyana, the largest producers, are not eligible by the competitive-need criterion, while the other countries are eligible.

U.S. inventories

Inventories held by major segments of the U.S. sugar industry are reported monthly by the U.S. Department of Agriculture (table 10). Inventory levels are seasonal, falling to their lowest levels around the end of September, prior to the beginning of the principal U.S. production period, and rising to their highest levels near the end of December, near the peak of the U.S. production season. Month-end stocks of the sugar industry for September were less than 1 million short tons from 1973 to 1975, rose to 1.3 million tons in 1976, and were at a record-high level in 1977--nearly 2 million short tons. Month-end stocks for December were about 2.7 million short tons in 1972, 2.6 million tons in 1973, 2.8 million tons in 1974, 2.7 million tons in 1975, 3.3 million tons in 1976, and rose to a record high level of 4.4 million short tons in December 1977. These data do not include inventories held by mills in Puerto Rico and Hawaii, which might tend to exaggerate the trends already reported.

Inventories fluctuate on the basis of the holder. For example, cane sugar refiners, which tend to be in more control of their inventory levels by timing their purchases of domestic and imported sugar, tend to have large inventories when prices are rising and small inventories when prices are falling. Inventories held by beet sugar processors tend to rise and fall with U.S. sugar beet production, since their only control over inventories is sales of sugar.

For other holders of sugar inventories, such as industrial users and household consumers, no data on sugar inventories are available. Industrial users tend to hold small inventories and hedge their price risks on sugar through contracting and the futures market. Household consumers tend to hoard sugar while sugar prices are rising rapidly, such as in 1974, but at other times appear to treat sugar as a cheap commodity to be purchased when needed.

U.S. exports

Annual U.S. exports of sugar have been negligible, not exceeding 150,000 short tons, raw value, during 1960-77 (table 9). Most of the exports are of refined sugar or sugar-containing products.

Table 10.--Sugar: Month-end stocks held by cane sugar refiners and beet sugar processors, and total continental U.S. stocks, 1972-78

(In thousands of short tons, raw value)

Month	1972	1973	1974	1975	1976	1977	1978
	Cane suga refiners' stocks						
January------	1,045	1,026	917	1,044	741	983	1,652
February-----	996	1,003	809	879	698	1,064	-
March--------	999	882	836	863	599	907	-
April--------	1,116	1,032	658	768	671	971	-
May----------	1,111	980	646	750	715	1,052	-
June---------	1,103	929	714	698	820	985	-
July---------	1,049	996	691	484	899	1,022	-
August-------	881	850	613	569	869	1,032	-
September----	769	636	600	699	765	1,169	-
October------	792	653	583	738	729	1,211	-
November-----	877	807	750	768	907	1,369	-
December-----	1,222	1,273	1,181	651	1,055	2,012	-
	Beet sugar processors' stocks						
January------	1,604	1,626	1,334	1,649	1,915	2,014	1,725
February-----	1,640	1,637	1,330	1,578	1,906	2,009	-
March--------	1,521	1,430	1,263	1,421	1,700	1,843	-
April--------	1,390	1,313	1,168	1,316	1,562	1,734	-
May----------	1,248	1,192	1,123	1,219	1,435	1,647	-
June---------	1,011	996	1,034	1,010	1,195	1,433	-
July---------	823	770	792	652	919	1,166	-
August-------	578	446	521	400	679	859	-
September----	417	275	334	246	496	704	-
October------	806	551	587	617	826	949	-
November-----	1,192	929	953	1,082	1,296	1,342	-
December-----	1,369	1,210	1,406	1,596	1,777	1,687	-
	Total continental U.S. stocks						
January------	3,008	2,941	2,488	3,067	3,171	3,624	4,162
February-----	3,059	3,038	2,509	2,971	3,201	2,758	-
March--------	2,897	2,777	2,493	2,836	2,933	3,430	-
April--------	2,874	2,831	2,174	2,521	2,778	3,302	-
May----------	2,672	2,604	2,034	2,299	2,569	3,191	-
June---------	2,343	2,291	1,949	1,946	2,314	2,782	-
July---------	2,032	2,040	1,613	1,275	2,038	2,424	-
August-------	1,531	1,454	1,200	1,032	1,689	2,019	-
September----	1,204	979	949	958	1,324	1,951	-
October------	1,639	1,251	1,202	1,415	1,660	2,259	-
November-----	2,218	1,902	1,822	2,088	2,504	3,009	-
December-----	2,710	2,583	2,800	2,731	3,341	4,352	-

Source: Compiled from official statistics of the U.S. Department of Agriculture.

U.S. consumption

During the period 1960-73, annual U.S. consumption of sugar increased gradually from 9.5 million to 11.8 million short tons, raw value. However, the rapid increase in prices to record levels toward the end of 1974 followed by continued high prices during much of 1975 caused total U.S. sugar consumption to fall in each of those years--to 11.5 million tons in 1974 and then sharply to 10.2 million tons in 1975. Total sugar consumption recovered in 1976 to 11.1 million tons as prices declined sharply after reaching a peak in late 1974.

There has been an increase in the proportion of domestic sugar consumption supplied by domestic sugar producers. From 1971 to 1975, the ratio of imports to domestic consumption decreased irregularly from 48 percent to 38 percent (table 9). This implies an increase in the share of the domestic market supplied by domestic producers from about 52 percent in 1971 to 62 percent in 1975. However, the ratio fell to 58 percent in 1976 and probably decline further in 1977.

Inasmuch as sugar is only one of many sweeteners available for direct consumption or for use in prepared foods, it is necessary to evaluate the competitive effect that other sweeteners have on sugar. Corn sweeteners follow sugar in importance, accounting for the bulk of the nonsugar sweeteners consumed in the United States.

From 1972 to 1976, corn-sweetener consumption (sales as reported by corn-sweetener producers) increased from 4.9 billion to 7.0 billion pounds, and totaled 7.6 billion pounds in 1977. In recent years, the principal expansion of corn-sweetener consumption has come from high-fructose sirups, whose consumption increased from 246 million pounds in 1972 to 1.6 billion pounds in 1976. Consumption in 1977 is estimated at about 2.1 billion pounds (table 11).

Annual U.S. per capita consumption of all sweeteners rose from 129 pounds in 1971 to 133 pounds in 1973 (table 12). In 1974, per capita consumption of all sweeteners declined to 132 pounds and in 1975 to 128 pounds. The fall in the per capita consumption of sugar primarily accounted for the decline in per capita consumption of all sweeteners. In 1976, per capita consumption of all sweeteners is estimated to have increased to 136 pounds and in 1977 to 140 pounds. The continued expansion of corn-sweetener use and a recovery in sugar consumption are responsible for the increases.

Annual per capita consumption of sugar was variable over the period 1972-77, rising from 102 pounds in 1971 to 103 pounds in 1972 and declining to 102 pounds in 1973 and to 97 pounds in 1974. High prices led to a further drop to 90 pounds per person in 1975; low prices in 1976 and 1977 enabled per capita consumption to recover to 95 pounds and 96 pounds, respectively.

Table 11.--Corn sweeteners: U.S. sales, by types, 1972-77

Item	1972	1973	1974	1975	1976	1977 1/
	Quantity (1,000 pounds, dry basis)					
Glucose sirup (corn sirup):						
Type I (20 dextrose equivalent (d.e.) up to 38 d.e.)	313,970	340,922	345,788	354,452	392,306	522,651
Type II (38 d.e. up to 58 d.e.)	1,358,768	1,466,636	1,451,899	1,390,287	1,406,905	1,701,755
Type III (58 d.e. up to 73 d.e.)	1,465,966	1,705,112	1,979,127	2,083,718	2,011,410	1,739,808
Type IV (73 d.e. and above)	233,082	231,980	236,660	250,075	201,734	172,334
High-fructose sirup	246,348	444,095	597,908	1,063,808	1,574,024	2,127,391
Dextrose, hydrous and anhydrous 2/	1,147,030	1,292,352	1,335,242	1,283,841	1,267,091	1,173,406
Glucose sirup solids	107,342	129,558	165,981	158,597	140,290	129,167
	Value (1,000 dollars) 3/					
Glucose sirup (corn sirup):						
Type I (20 d.e. up to 38 d.e.)	12,940	22,063	38,485	51,634	39,870	35,580
Type II (38 d.e. up to 58 d.e.)	55,197	88,667	150,508	198,130	144,163	114,985
Type III (58 d.e. up to 73 d.e.)	57,373	95,702	201,817	294,067	202,563	118,944
Type IV (73 d.e. and above)	12,330	14,206	25,784	36,100	21,312	12,753
High-fructose sirup	22,008	41,772	108,216	237,562	216,407	234,427
Dextrose, hydrous and anhydrous	90,837	108,410	181,499	230,711	163,335	130,893
Glucose sirup solids	9,994	13,017	23,199	27,890	23,917	20,307
Total	260,679	383,837	729,508	1,076,094	811,567	667,889
	Unit value (cents per pound)					
Glucose sirup (corn sirup):						
Type I (20 d.e. up to 38 d.e.)	4.12	6.47	11.13	14.57	10.16	6.81
Type II (38 d.e. up to 58 d.e.)	4.06	6.05	10.37	14.25	10.25	6.76
Type III (58 d.e. up to 73 d.e.)	3.91	5.61	10.20	14.11	10.07	6.84
Type IV (73 d.e. and above)	5.29	6.12	10.89	14.44	10.56	7.40
High-fructose sirup	8.93	9.41	18.10	22.33	13.75	11.02
Dextrose, hydrous and anhydrous	7.92	8.39	13.59	17.97	12.89	11.15
Glucose sirup solids	9.31	10.05	13.98	17.59	17.05	15.72

1/ Preliminary.
2/ Reported in anhydrous dextrose equivalent.
3/ Value of sales is net realized value, f.o.b. point of shipment.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade

A-53

Table 12.--Sugar and other sweeteners: Annual U.S. per capita consumption, by types, 1971-77

(In pounds)

Type of sweetener	1971	1972	1973	1974	1975	1976	1977 1/
Caloric sweeteners:							
Sugar:							
Domestic beet	31.1	30.4	30.4	26.1	30.5	32.5	30.6
Domestic cane	22.8	25.4	24.9	21.0	24.9	22.7	22.0
Imported cane	48.5	47.0	46.2	49.5	34.8	39.5	43.1
Total	102.4	102.8	101.5	96.6	90.2	94.7	95.7
Corn sweeteners: 2/							
Regular corn sirup	15.0	15.6	16.7	17.4	17.7	17.7	17.7
High-fructose sirup	-	.9	1.4	2.3	4.7	7.1	9.0
Dextrose	5.0	4.4	4.8	4.9	5.1	5.1	5.1
Total	20.0	20.9	22.9	24.6	27.5	29.9	31.8
Other: 2/							
Honey	.9	1.0	.9	.8	.9	1.0	.9
Edible sirups	.5	.5	.5	.4	.4	.4	.4
Total	1.4	1.5	1.4	1.2	1.3	1.4	1.3
Total, caloric sweeteners	123.8	125.2	125.8	122.4	119.0	126.0	128.8
Noncaloric sweeteners 3/	5.0	5.0	7.0	10.0	9.0	10.0	11.0
Total, all sweeteners	128.8	130.2	132.8	132.4	128.0	136.0	139.8

1/ Preliminary estimate.
2/ Dry basis.
3/ Saccharin, converted for sugar sweetness assuming saccharin is 300 times as sweet as sugar; data estimated by the U.S. International Trade Commission.

Source: Compiled from official statistics of the U.S. Department of Agriculture, except as noted.

Per capita consumption of corn sweeteners rose steadily from 20 pounds in 1971 to approximately 32 pounds in 1977. The 59-percent increase in that period largely reflects a substantial rise in the per capita use of corn sirup and the introduction of high-fructose sirup in the market and its rapid acceptance.

Data on per capita consumption indicate that high sugar prices in 1974 and 1975 resulted in significant substitution of other sweeteners (e.g., corn sirup and saccharin) for sugar.

The distribution of sugar to primary users gives an indication as to who uses the sugar consumed in the United States and in what form the nearly 100 pounds of sugar consumed per capita in the United States ultimately reaches the consumer. Total U.S. deliveries of refined sugar amounted to 21.5 billion pounds in 1973 and then declined to 18.5 billion pounds in 1975. In 1976, deliveries rose to 20.1 billion pounds. Quarterly data reveal that consumption (which is seasonal) declined most sharply in the fourth quarter of 1974 and the first quarter of 1975, when prices were at their highest. There appears to have been an increase in consumption in the first three quarters of 1977 compared with the corresponding period of 1976 (table 13).

World Sugar

World sugar production and consumption

During the period from 1971/72 to 1975/76; annual world production of sugar rose from 78.5 million to 90.5 million short tons, raw value, or by 16 percent. During the same period, world consumption increased from 82.4 million to 87.7 million tons. In 1976/77, world production increased to 96.2 million tons and for 1977/78 is estimated at 99.9 million tons.

The European Community is the world's leading sugar producer, accounting for over a tenth of total world production. The U.S.S.R., Brazil, Cuba, India, and the United States are also important producers. The European Community, the U.S.S.R., and the United States consume most of their own production, while Brazil, Cuba, and India export significant portions of their output. Data on world production are shown in table 14.

The leading consumers of sugar are the U.S.S.R., the European Community, the United States, Brazil, India, the People's Republic of China, Japan, Mexico, and Poland (table 15). In 1974, the leading consumers on a per capita basis were Israel and New Zealand at 134 pounds each. Per capita consumption in the United States was about 97 pounds in 1974.

World stocks fluctuate in relationship to world production and consumption and on August 31, 1976, were estimated to be about 21.0 million

Table 13.--Sugar: U.S. deliveries, by types of products or business of buyer and by quarters, 1972-77

(In millions of pounds)

Period	Bakery, cereal, and allied products	Confectionery and related products	Ice cream and dairy products	Beverages	Canned, bottled, frozen foods; jams, jellies, etc.	Multiple and all other food uses	Nonfood uses	Total industrial uses	Hotels, restaurants, and institutions	Wholesale grocers, jobbers, and sugar dealers	Retail grocers, chainstores, and supermarkets	All other deliveries	Total nonindustrial uses	Unspecified	Total deliveries
1972:															
Jan.-Mar	684	541	248	1,057	379	239	46	3,194	43	967	592	44	1,646	0	4,840
Apr.-June	698	501	340	1,326	469	268	41	3,643	39	1,005	648	38	1,730	0	5,372
July-Sept	800	531	341	1,401	713	259	47	4,092	44	1,173	731	50	1,999	0	6,091
Oct.-Dec	716	542	270	1,090	413	250	43	3,328	44	1,060	661	43	1,808	0	5,136
Total	2,899	2,114	1,199	4,874	1,974	1,016	181	14,256	169	4,206	2,632	176	7,183	0	21,439
1973:															
Jan.-Mar	694	511	273	1,070	410	257	56	3,270	45	911	543	46	1,544	0	4,814
Apr.-June	737	533	340	1,325	492	262	50	3,739	47	1,016	645	52	1,759	0	5,498
July-Sept	734	495	313	1,426	710	247	52	3,978	50	1,199	797	61	2,107	0	6,085
Oct.-Dec	742	532	265	1,118	438	238	64	3,396	46	1,002	648	54	1,749	0	5,145
Total	2,907	2,070	1,190	4,939	2,050	1,004	222	14,382	188	4,127	2,633	213	7,160	0	21,542
1974:															
Jan.-Mar	783	566	292	1,086	410	265	70	3,472	46	947	631	52	1,677	0	5,149
Apr.-June	737	530	320	1,309	462	238	66	3,662	46	1,035	671	67	1,818	0	5,480
July-Sept	748	523	307	1,323	715	277	63	3,955	54	1,134	780	58	2,026	0	5,981
Oct.-Dec	617	418	221	982	311	248	57	2,854	36	888	625	64	1,614	0	4,468
Total	2,886	2,037	1,140	4,699	1,898	1,028	256	13,944	181	4,004	2,707	242	7,135	0	21,079
1975:															
Jan.-Mar	500	315	170	787	199	188	32	2,191	33	518	379	43	973	85	3,250
Apr.-June	601	379	278	1,085	337	250	41	2,971	45	979	646	37	1,706	140	4,816
July-Sept	653	421	289	1,214	588	276	44	3,484	34	1,243	767	46	2,089	186	5,760
Oct.-Dec	622	419	239	953	280	223	50	2,786	31	970	671	38	1,709	187	4,682
Total	2,376	1,533	976	4,039	1,405	936	168	11,432	142	3,709	2,463	164	6,478	636	18,545
1976:															
Jan.-Mar	648	462	247	961	278	254	50	2,899	26	877	540	48	1,492	249	4,640
Apr.-June	610	429	281	1,186	348	285	54	3,191	36	1,016	613	65	1,729	281	5,202
July-Sept	613	415	286	1,198	480	229	46	3,265	33	1,223	754	69	2,079	267	5,612
Oct.-Dec	587	428	222	981	259	212	46	2,735	32	952	634	78	1,696	202	4,632
Total	2,457	1,733	1,035	4,326	1,364	979	195	12,091	128	4,068	2,540	260	6,996	1,000	20,087
1977:															
Jan.-Mar	685	470	256	1,016	295	254	53	3,029	33	970	577	73	1,653	177	4,859
Apr.-June	687	460	302	1,314	354	237	50	3,403	34	978	587	79	1,677	124	5,205
July-Sept	660	453	292	1,353	494	297	46	3,594	33	1,084	687	66	1,871	252	5,716
Oct.-Dec	604	436	233	1,056	274	253	50	2,907	38	1,034	673	72	1,818	199	4,924
Total	2,636	1,819	1,083	4,739	1,417	1,041	199	12,933	140	4,066	2,524	290	7,019	752	20,704

Source: Compiled from official statistics of the U.S. Department of Agriculture.

A-56

Table 14.--Sugar: World production, by leading producers, crop years 1971/72 to 1977/78 1/

(In thousands of short tons, raw value)

Producer	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78 2/
European Community	11,191	10,367	11,168	9,885	11,170	11,601	12,262
U.S.S.R	8,811	8,982	10,547	8,521	8,488	8,102	10,251
Brazil	6,226	6,793	7,671	8,157	6,834	8,267	9,480
Cuba	5,168	5,787	6,393	6,945	6,834	6,393	6,614
India	4,221	5,039	5,455	6,387	6,024	6,658	6,614
United States	6,133	6,665	5,928	5,792	7,204	6,925	6,200
Australia	3,015	3,164	2,857	3,276	3,294	3,753	3,748
Mexico	2,778	3,052	3,092	2,972	2,974	2,973	3,175
People's Republic of China	2,115	2,007	2,899	2,646	2,811	2,866	3,031
Philippines	2,060	2,672	2,913	2,718	3,236	2,949	2,535
Poland	1,887	2,016	2,003	1,716	2,149	2,205	2,425
Republic of South Africa	2,055	2,111	1,908	2,076	1,985	2,251	2,315
Thailand	693	715	1,025	1,168	1,809	2,492	1,984
Argentina	1,091	1,425	1,819	1,689	1,487	1,722	1,764
Dominican Republic	1,256	1,259	1,316	1,251	1,377	1,500	1,543
Spain	1,163	917	886	659	1,030	1,593	1,439
Turkey	1,003	894	918	919	1,087	1,416	1,323
Indonesia	937	981	1,047	1,102	1,157	1,268	1,323
Republic of China	822	860	983	828	901	1,238	1,102
Peru	1,015	1,014	1,124	1,091	1,054	1,014	1,058
Colombia	871	897	937	1,001	1,064	972	959
Czechoslovakia	772	859	893	937	827	772	937
Guatemala	259	298	358	423	583	651	858
Pakistan	392	518	701	614	694	811	821
Iran	639	689	728	711	755	816	802
Romania	489	636	698	618	617	882	799
Yugoslavia	464	471	533	611	539	779	790
Mauritius	688	756	768	767	547	806	788
Egypt	601	650	716	595	683	731	733
German Democratic Republic	573	794	777	772	716	661	716
Japan	639	716	720	527	519	623	633
Venezuela	570	571	580	584	509	488	551
Other countries	7,933	7,976	8,361	8,788	9,497	10,015	10,357
World total	78,530	82,551	88,722	86,696	90,455	96,193	99,930

1/ Crop years for most countries are on a September/August basis.
2/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 15.--Sugar: World consumption, by leading consumers, crop years 1971/72 to 1975/76 1/

(In thousands of short tons, raw value)

Consumer	1971/72	1972/73	1973/74	1974/75	1975/76 2/
U.S.S.R	11,133	12,306	12,401	12,456	12,566
European Community	11,737	11,988	12,496	11,598	11,277
United States	12,015	12,323	11,933	9,917	10,803
Brazil	4,299	4,480	4,521	5,181	5,622
India	4,903	4,814	5,299	5,346	4,911
People's Republic of China	2,701	2,687	3,291	3,307	3,417
Japan	3,142	3,638	3,403	3,462	3,009
Mexico	2,285	2,425	2,519	2,646	2,921
Poland	1,609	1,608	1,819	1,693	1,752
Spain	1,109	1,157	1,222	1,330	1,337
Indonesia	1,102	1,047	1,204	1,213	1,268
Iran	821	733	875	1,146	1,268
Republic of South Africa	1,074	1,004	1,053	1,139	1,160
Turkey	827	882	1,005	1,071	1,154
Canada	1,157	1,125	1,211	987	1,127
Argentina	1,059	1,130	1,125	1,162	1,121
Colombia	644	693	735	794	888
Philippines	650	827	981	992	854
Australia	1,030	838	907	873	839
German Democratic Republic	761	772	859	772	794
Egypt	639	661	661	740	766
Yugoslavia	717	713	719	717	719
Czechoslovakia	747	772	772	777	716
Pakistan	540	551	716	628	671
Romania	551	664	772	661	661
Venezuela	466	500	572	588	640
Peru	507	551	588	628	628
Thailand	452	455	552	551	606
Bulgaria	612	538	551	573	584
Cuba	551	497	827	551	579
Hungary	524	584	595	591	579
Other countries	12,024	12,486	12,680	12,034	12,418
World total	82,388	85,449	88,864	86,124	87,655

1/ Crop years for most countries are on a September/August basis.
2/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

short tons, raw value. Leading holders of world sugar inventories in 1976 were the United States, the European Community, the Philippines, Brazil and Cuba (table 16).

In most years, world production of sugar exceeds world consumption of sugar, which is why world sugar prices are generally low. However, when world consumption exceeds world production for any prolonged period, prices generally rise quickly. Since 1974, world production has been in excess of world consumption, by increasing amounts in each year, and the result has been the current low level of world sugar prices (table 17).

World sugar trade

International trade in sugar amounts to only about one-fourth of world production. Leading exporters have been Cuba, the European Community, Australia, Brazil, and the Philippines (table 18). Leading importers have been the U.S.S.R., the United States, the European Community, Japan, and Canada (table 19).

Controlled sugar market trade.—Trade in sugar occurs in either a "controlled market" (i.e., one regulated by government policy) or in a "free market." Controlled markets affect about five-sixths of world sugar output. Thus, most sugar not entering international trade and about half of that entering world trade is subject to some form of governmental control on price or supply. The European Community has used a variable levy to prevent imports from entering at less than a designated price target. The Commonwealth Sugar Agreement, which expired in 1974 because of the United Kingdom's entry into the European Community, involved guaranteed prices on fixed quantities of imports into the United Kingdom from certain members of the Commonwealth. Now with the United Kingdom in the European Community, the Commonwealth Sugar Agreement has been replaced by a special arrangement under the Lomé Convention.

Until 1974, the United States controlled supply through the allocation of estimated consumption requirements among specified domestic and foreign suppliers. As a result of this quota program, U.S. prices were generally higher than world-market prices and suppliers generally tried to fill their quotas. Portugal, among the smaller importing countries, had a somewhat similar system of supply control involving its African possessions and Brazil.

Communist countries are generally isolated from the impact of the world market by government trading monopolies which control their domestic and foreign trade in sugar. In international trade, these countries usually buy and sell under contracts at prices that can have political overtones. Communist countries do deal on the world market, but this represents only part of their international sugar trade--most of which occurs among themselves or under bilateral agreements with others.

Table 16.--Sugar: World stocks, by prinicipal inventory holders, Aug. 31, of 1971-76

(In thousands of short tons, raw value)

Inventory holder	1971	1972	1973	1974	1975	1976
United States	3,244	2,844	2,806	2,694	2,644	2,996
European Community	1,737	1,907	1,512	1,578	1,297	1,937
Philippines	18	61	258	446	820	1,849
Brazil	1,980	1,863	1,777	1,754	1,925	1,417
Cuba	1,057	779	782	837	1,174	1,367
India	2,013	1,215	1,210	929	812	902
U.S.S.R	1,585	1,625	1,098	1,249	888	855
Australia	613	382	450	171	362	587
Poland	323	269	250	157	143	516
Thailand	15	15	17	17	38	454
Indonesia	448	285	423	399	362	417
People's Republic of China	137	253	214	290	237	402
Dominican Republic	294	282	305	309	331	384
German Democratic Republic	142	54	125	177	290	323
Iran	253	176	248	211	228	312
Mexico	769	676	684	603	708	311
Mauritius	201	103	19	26	241	271
Republic of South Africa	40	142	282	180	258	264
Morocco	31	79	110	110	141	251
Chile	68	93	132	110	227	237
Canada	198	197	204	184	129	202
Austria	128	40	68	83	75	191
Bolivia	7	26	30	52	87	180
Hungary	213	222	182	163	158	174
Japan	116	341	147	294	108	173
Other countries	4,896	4,317	4,019	3,345	3,934	4,016
World total	20,526	18,246	17,352	16,368	17,617	20,988

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 17.--Sugar: World production and consumption, crop years, 1956-77

Crop year	World sugar production	World sugar consumption	Production less consumption	World per capita consumption
	-------1,000 short tons, raw value-----------			Pounds, raw value
Year beginning Sept. 1--				
1956	46,670	46,548	122	32.98
1957	49,793	49,277	516	34.28
1958	56,255	52,426	3,829	35.80
1959	54,634	53,956	778	36.07
1960	61,809	58,129	3,680	38.19
1961	57,707	61,290	-3,583	39.50
1962	56,407	60,052	-3,645	37.97
1963	60,345	59,812	533	37.09
1964	73,668	65,337	8,331	39.74
1965	69,557	69,242	315	41.34
1966	72,357	72,153	204	42.27
1967	73,231	72,349	882	41.60
1968	74,718	75,111	-393	42.40
1969	81,952	79,611	2,341	44.11
1970	80,215	82,032	-1,817	44.61
1971	80,717	83,084	-2,367	44.35
1972	84,643	85,167	-584	44.61
1973	88,514	88,263	251	45.38
1974	87,743	85,601	2,142	43.15
1975	91,277	88,089	3,188	43.55
1976	97,652	91,126	6,526	44.20
1977	100,631	94,462	6,169	1/

1/ Not available.

Source: Compiled from statistics of F. O. Licht, independent market news reporting service, Feb. 21, 1978.

Table 18.--Sugar: World exports, by leading exporters, crop years 1971/72 to 1975/76 1/

(In thousands of short tons, raw value)

Exporter	1971/72	1972/73	1973/74	1974/75	1975/76 2/
Cuba	4,894	5,288	5,511	6,056	6,063
European Community	2,952	2,822	2,921	2,341	3,026
Australia	2,216	2,258	2,229	2,163	2,229
Brazil	2,044	2,400	3,173	2,805	1,720
Philippines	1,367	1,648	1,744	1,352	1,353
Dominican Republic	1,102	1,081	1,135	1,049	1,130
India	116	230	441	1,157	1,018
Republic of South Africa	896	983	980	859	819
Thailand	241	259	473	596	744
Republic of China	539	560	661	456	551
Mauritius	739	785	695	523	495
Mexico	586	618	687	256	476
Peru	530	449	513	452	452
Argentina	117	309	705	444	389
Guatemala	110	148	169	155	377
Guyana	330	273	290	319	338
Jamaica	333	283	312	292	269
Czechoslovakia	251	248	265	195	232
Swaziland	182	163	190	185	226
Mozambique	217	226	270	189	198
Colombia	216	179	240	196	191
Trinidad and Tobago	208	159	160	121	189
Rhodesia	105	132	127	127	165
Fiji	320	326	298	281	161
Nicaragua	105	75	88	110	160
El Salvador	127	110	154	146	152
U.S.S.R	71	51	129	65	143
German Democratic Republic	132	193	205	71	132
Barbados	112	120	107	88	98
Panama	46	46	66	93	97
Guadeloupe	85	121	107	81	96
United States	0	0	0	208	88
Costa Rica	107	103	100	75	83
Reunion	192	246	273	33	83
Poland	366	465	322	94	75
Ecuador	101	98	94	60	72
People's Republic of China	123	171	171	98	0
Other countries	1,363	1,054	983	680	654
World total	23,541	24,680	26,988	24,471	24,744

1/ Crop years for most countries are on a September-August basis.
2/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 19.--Sugar: World imports, by leading importers, crop years 1971/72 to 1975/76 1/

(In thousands of short tons, raw value)

Importer	1971/72	1972/73	1973/74	1974/75	1975/76 2/
U.S.S.R	2,433	2,848	2,134	3,640	4,189
United States	5,482	5,621	5,893	4,285	4,039
European Community	3,668	4,048	4,316	3,773	3,772
Japan	2,739	2,780	2,853	2,770	2,557
Canada	1,012	1,042	1,088	876	1,135
People's Republic of China	826	811	639	706	772
Iran	105	116	110	470	607
Algeria	253	306	305	397	421
Iraq	299	521	432	417	401
Malaysia	392	387	388	385	400
Republic of Korea	241	344	340	394	340
Portugal	195	257	226	395	331
Bulgaria	276	337	375	325	325
Nigeria	138	149	78	109	294
Morocco	245	306	306	295	290
Spain	67	77	294	641	288
Other countries	6,748	6,742	6,302	5,249	5,235
World total	25,119	26,692	26,079	25,127	25,396

1/ Crop years for most countries are on a September-August basis.
2/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

In most other countries, governments have established policies and control devices, such as official trading monopolies, licensing, exchange allocations, and exclusive trade arrangements, which allow these countries to insulate themselves from the free market when they choose to do so. Some major exporting countries, such as Australia, Mexico, and Brazil, use trading monopolies to isolate their domestic markets from the world market to maintain stable prices. Some government-sponsored trading monopolies arose largely out of the need to control export trade to take advantage of preferential arrangements with the United States or the British Commonwealth. Many importing countries, both with or without domestic sugar beet or sugar cane production, have authorized imports of raw sugar but embargoed or restricted imports of refined sugar to protect domestic refining interests. Many countries have very high excise taxes on sugar, which are probably as much an effort to raise revenues as they are an aid to control sugar marketing.

Free market sugar trade.—The so-called free market for sugar sold in nonpreferential international markets accounts for only about one-sixth of world sugar production. To call even this a free market may be a misnomer because when sugar is in abundant supply this market becomes a distress market for subsidized exports or for surplus sugar from countries that normally sell part of their exports in controlled markets.

Chief exporters to the free market have been Australia, the Philippines, Cuba, Brazil, the European Community, Thailand, Dominican Republic, India, and South Africa. The chief importers (which generally benefit from low prices when sugar supplies are abundant) have been the United States, Japan, Canada, the U.S.S.R., most of the Middle Eastern countries, and many other countries that produce little or no sugar themselves. The United States and many of its leading suppliers went on the free market after the expiration of the U.S. Sugar Act.

International Sugar Agreement.—For over a century there have been attempts by world producers and users of sugar to keep the free market from becoming a distress market for that part of their output that cannot be sold in controlled markets. The latest attempts to stabilize the world market were a series of International Sugar Agreements beginning in 1937. The United States participated in some of the agreements in the 1950's. The agreement of 1968 was effective for the period 1969-73. It allocated export quotas to countries normally exporting to the world market, with the level of the quotas varying with world-market prices. Exporting member countries agreed to maintain buffer stocks (accumulated when prices were low) and to give preferential treatment to importing member countries when prices rose. All signatory countries agreed to remove obstacles which restricted consumption, and signatory importing countries also agreed not to buy sugar from nonmembers when prices were low. However, prices during much of the period were too high for the accumulation of buffer stocks. Quotas were suspended in 1972 and 1973 when world-market prices rose to levels at which the quotas became ineffective. A new agreement was negotiated in 1973 with no termination date, but it contained no economic provisions because of a failure by participating countries to agree on prices. 1/ The agreement provided for little more than the gathering of statistics. The United States and the European Community were not signatories to either the 1968 or the 1973 agreement, but the United States does have observers at meetings of members of the agreement.

A new agreement was negotiated in 1977 to which the United States is signatory. The agreement has gone into effect provisionally in 1978. This agreement provides for export quotas as in the past, but in addition includes provision for buffer stocks to help achieve price objectives.

The 1977 International Sugar Agreement establishes the International Sugar Council consisting of all the members of the agreement as the highest authority of the International Sugar Organization to exercise all the powers necessary to carry out agreement provisions. The agreement seeks to establish free-market prices within the range of 11 cents per pound to 21 cents per pound. Price stabilization is to be achieved by accumulation of buffer stocks and export quotas when prices are low, and release of buffer stocks when prices rise above 19 cents per pound. When the market price moves above 13, 14, and 14.5 cents per pound the global quota will be increased by 5 percent at each level. At 14.5 cents per pound there would be no quota restriction. When the market price moves below 13, 12, and 11.5 cents per pound the global quota will be reduced by 5 percent at each level. Below 11.5 cents per pound, the quota will be at 85 percent of the original level. If the market price remains below 11 cents per pound for 75 consecutive market days, a further 2.5-percent cut in the global quota may be authorized which would be applied only to countries whose exports to the world market are less than 60 percent of total production. Countries exempted from this cut are Australia, Dominican Republic, Panama, and Thailand.

The agreement provides for a 2.5-million-metric-ton buffer stock to be built up during the first 3 years of the agreement. Each exporting country will set aside a quantity for the buffer stock pro rata to its individual Basic Export Tonnage (BET). During the first year of the agreement, 40 percent of the total obligation is to be established. Exporting countries are supposed to give priority to establishing special stocks over their annual export quotas. Certain small exporting members are not required to hold special stocks. A stock financing fund will provide interest free loans of 1.5 cents per pound annually for sugar held under special stocks provisions. A 0.28-cent-per-pound tax on all free-market raw sugar trade among member countries will be used to finance the fund.

1/ For more detailed information on the International Sugar Agreement, see International Commodity Agreements, Report of the U.S. International Trade Commission to the . . . Committee on Finance, U.S. Senate, 94th Cong., 1st sess., November 1975.

BET's for potential exporting members were established as follows (in metric tons, raw value):

Cuba	2,500,000	The following exporters have maximum export entitlements of 70,000 metric tons, raw value:
Australia	2,350,000	
Brazil	2,350,000	
Philippines	1,400,000	
Thailand	1,200,000	Barbados
Dominican Republic	1,100,000	Belize
South Africa	875,000	St. Kitts-Nevis
India	825,000	Bangladesh
Argentina	450,000	Congo
Peru	350,000	Ethiopia
Guatemala	300,000	Haiti
Poland	300,000	Honduras
Czechoslovakia	175,000	Hungary
Mauritius	175,000	Indonesia
El Salvador	145,000	Madagascar
Guyana	145,000	Malawi
Jamaica	130,000	Paraguay
Fiji	125,000	Romania
Nicaragua	125,000	Sudan
Costa Rica	105,000	Turkey
Swaziland	105,000	Uganda
Mozambique	100,000	Cameroon
Bolivia	90,000	Tanzania
Panama	90,000	Uruguay
Trinidad	85,000	Venezuela
Austria	80,000	Zambia
Ecuador	80,000	
Colombia	75,000	
Mexico	75,000	
Total	15,905,000	

The U.S.S.R. and East Germany received export entitlements of 500,000 tons and 75,000 tons, respectively, despite their being net importers, for that part of their imports which are re-exported.

Certain exports under special arrangements are not covered by the export quotas of the agreement. Exports to the European Community under the Lome' Convention and related agreements are not charged to individual country quotas. Cuban exports to members of the Comecon arrangement are free of quota restriction. The first 650,000 tons exported by Cuba to Albania, the People's Republic of China, North Korea, Vietnam, and Yugoslavia are free of quota restriction.

The agreement makes provision for hardship reserves, declaration of shortfalls, and shortfall reallocations as in past agreements. Importing members are obligated to restrict quantities of sugar that can be imported from nonmember countries. The amount of the restriction is determined by the average annual imports from nonmembers as a group for the period 1973-76, dropping the year of lowest imports from each country. When market prices are below 11 cents per pound, nonmember imports will be restricted to 55 percent of these imports, and when prices are above 11 cents per pound, to 75 percent. No restrictions will apply when prices are above 21 cents per pound, but will be reinstated when prices fall below 19 cents per pound.

Principal obligations of the agreement affecting the United States are the restricting of imports from nonmembers and undertaking to insure that the 0.28-cent-per-pound fee for financing the buffer-stock fund is paid on U.S. imports. Restrictions on imports from nonmember countries could probably be put into effect under the President's Headnote 2 authority. However, provision for insuring that the stock-financing-fund tax is collected would probably require enabling legislation from Congress.

In the first year of the agreement, it is anticipated that the maximum quota cuts (82.5 percent of BET's) will apply. One million metric tons of buffer stocks will be acquired, and importers will restrict imports from nonmember exporters to 55 percent of their historical levels. With the current surplus of world sugar production over consumption, the reluctance of the European Community to become a member, and the anticipated low level of U.S. imports, it is unlikely that the agreement can succeed in getting market prices above 11 cents per pound in the first year of the agreement.

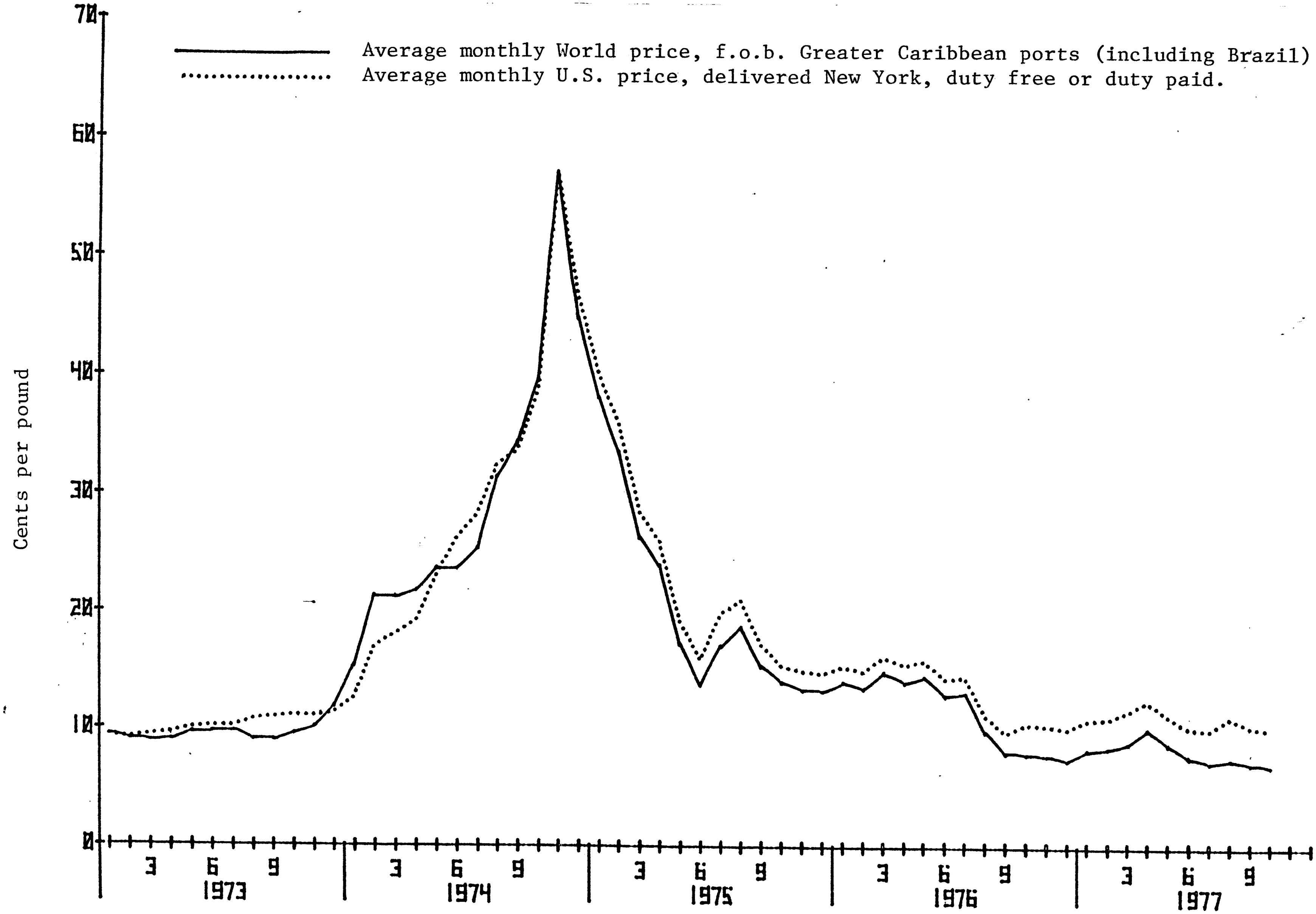
The agreement is currently before the Foreign Relations Committee of the Senate. Senator Church, who chairs the subcommittee holding hearings on ratification of the agreement has indicated a reluctance to proceed with ratification before there is some assurance that U.S. producers will be protected from failure of the agreement to achieve its objectives over the life of the agreement.

Sugar prices

The prices of raw sugar on the world and U.S. markets increased dramatically in 1974 and then declined as abruptly as they had risen. The price of raw sugar delivered in New York averaged 10 cents per pound in 1973, peaked in November 1974 at an average of 57 cents per pound, fell to just below 10 cents per pound in September 1976, and, since the twofold tariff increase of 1.25 cents per pound, remained above 10 cents per pound through October 1977 (fig. 1 and table 20).

Figure 2 presents a historical price series to compare the magnitude of these recent prices and their movements. In the 1950's and 1960's the annual delivered price in New York averaged 6.6 cents per

Figure 1.--Raw sugar prices: Comparison of U.S. and world prices, by months, January 1973 to October 1977.



Source: Compiled from official statistics of the U.S. Department of Agriculture.

A-68

Table 20.--Raw sugar: U.S. and world prices, by months, January 1974-February 1978

(In cents per pound)

Period	World price, f.o.b., Caribbean 1/	Cost of insurance and freight	Duty per lb. for 96° raw sugar 2/	World price, New York basis	Quota premium or discount 3/	U.S. price, New York, duty paid 4/	Price paid to foreign supplier
1974:							
January	15.32	0.925	0.625	16.87	-4.24	12.63	11.08
February	21.28	.925	.625	22.83	-5.74	17.09	15.54
March	21.27	.965	.625	22.86	-4.75	18.11	16.52
April	21.77	1.005	.625	23.40	-4.15	19.25	17.62
May	23.65	1.125	.625	25.40	-2.35	23.05	21.30
June	23.67	1.105	.625	25.40	.90	26.30	24.57
July	25.40	1.035	.625	27.06	.29	28.35	25.69
August	31.45	1.005	.625	33.08	-.48	32.60	30.97
September	34.35	.975	.625	35.95	-2.24	33.71	32.11
October	39.63	1.045	.625	41.30	-2.47	38.83	37.16
November	57.17	1.045	.625	58.84	-1.54	57.30	55.63
December	44.97	.955	.625	46.55	.19	46.74	45.16
1975:							
January	38.32	.845	.625	39.79	.36	40.15	38.68
February	33.72	.875	.625	35.22	.85	36.07	34.57
March	26.50	.875	.625	28.00	.52	28.52	27.02
April	24.06	.875	.625	25.56	.51	26.07	24.57
May	17.38	.805	.625	18.81	.46	19.27	17.84
June	13.83	.795	.625	15.25	.71	15.96	14.54
July	17.06	.795	.625	18.48	1.41	19.89	18.47
August	18.73	.745	.625	20.10	1.01	21.11	19.74
September	15.45	.765	.625	16.84	.52	17.36	15.97
October	14.09	.775	.625	15.49	-.04	15.45	14.05
November	13.40	.775	.625	14.80	.23	15.03	13.63
December	13.29	.775	.625	14.69	.11	14.80	13.40
1976:							
January	14.04	.755	.625	15.42	0	15.42	14.04
February	13.52	.755	.625	14.90	.14	15.04	13.66
March	14.92	.825	.625	16.37	-.10	16.27	14.82
April	14.06	.825	.625	15.51	.07	15.58	14.13
May	14.58	.825	.625	16.03	-.06	15.97	14.52
June	12.99	.805	.625	14.42	-.02	14.40	12.97
July	13.21	.805	.625	14.64	-.05	14.59	13.16
August	9.99	.785	.625	11.40	-.08	11.32	9.91
September	8.16	.879	1.011	10.05	-.25	9.80	7.91
October	8.03	.845	1.875	10.75	-.10	10.65	7.93
November	7.91	.795	1.875	10.58	-.12	10.46	7.79
December	7.54	.795	1.875	10.21	.01	10.22	7.55

See footnotes at end of table.

Table 20.--Raw sugar: Comparison of U.S. and world prices, by months, January 1974 to February 1978--Continued

(In cents per pound)

Period	World price, f.o.b., Caribbean 1/	Cost of insurance and freight	Duty per lb. for 96° raw sugar 2/	World price, New York basis	Quota premium or discount 3/	U.S. price, New York, duty paid 4/	Price paid to foreign supplier
1977:							
January	8.37	0.785	1.875	11.03	-0.08	10.95	8.29
February	8.56	.785	1.875	11.22	-.16	11.06	8.40
March	8.98	.835	1.875	11.69	-.02	11.67	8.96
April	10.12	.775	1.875	12.77	-.20	12.57	9.92
May	8.94	.765	1.875	11.58	-.24	11.34	8.70
June	7.82	.765	1.875	10.46	-.18	10.28	7.64
July	7.38	.725	1.875	9.98	.17	10.15	7.55
August	7.61	.725	1.875	10.21	1.00	11.21	8.61
September	7.30	.725	1.875	9.90	.51	10.41	7.81
October	7.08	.785	1.875	9.74	.49	10.23	7.57
November	7.09	.855	1.875	9.82	0	9.82	7.09
December	8.09	.855	1.875	10.82	0	10.82	8.09
1978:							
January	8.74	.797	5.513	15.05	0	15.05	8.74
February	8.48	.747	5.513	14.74	0	14.74	8.48
March	7.74	.750	5.513	14.00		14.00	7.74

1/ Data for January 1974 to October 1977 are spot prices for Contract No. 11 bulk sugar, f.o.b., stowed at Greater Caribbean ports (including Brazil). Beginning November 1977, data are London Daily Price (spot) adjusted to f.o.b., stowed at Greater Caribbean ports by deducting the cost of insurance and freight.

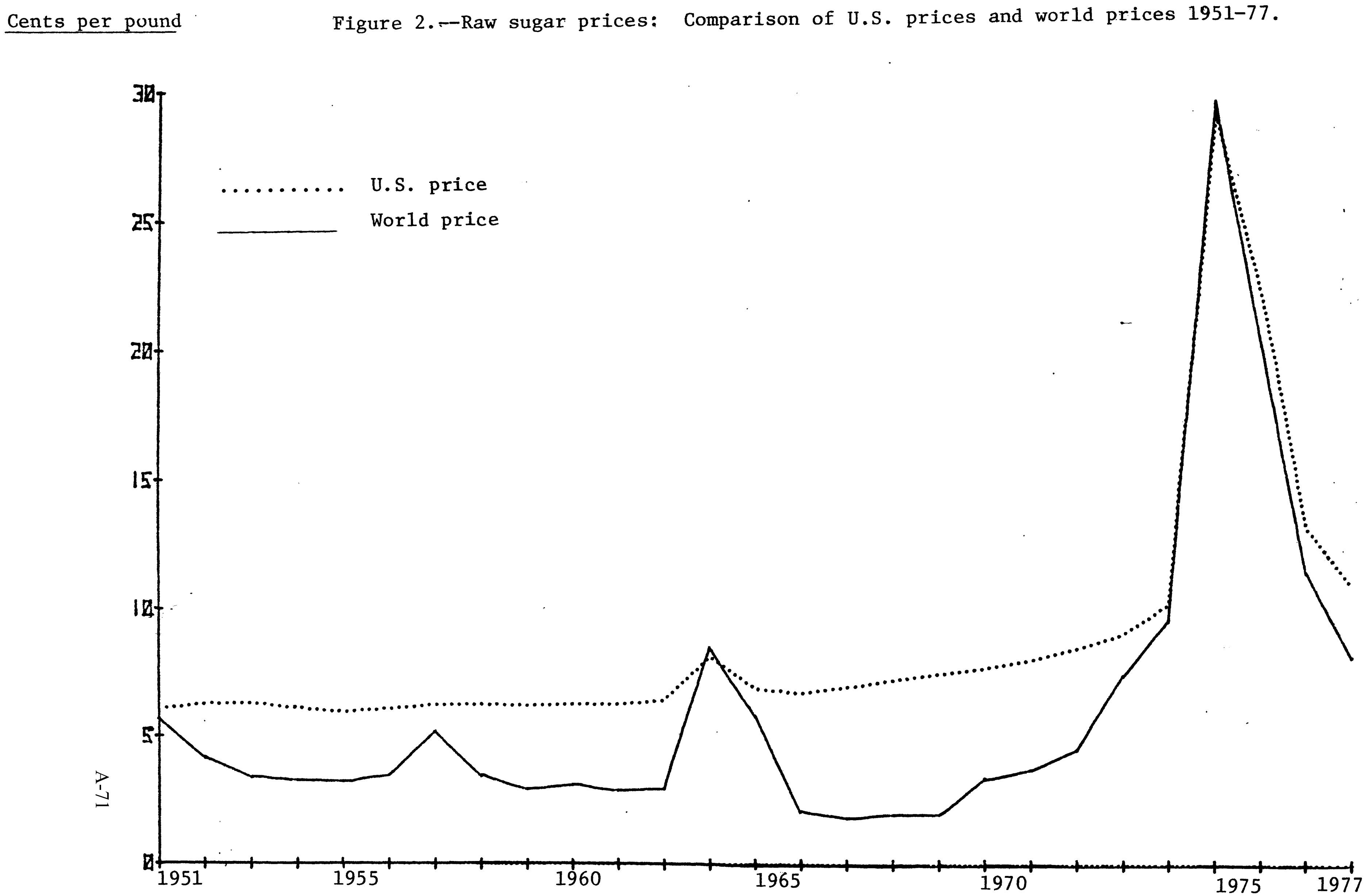
2/ Since imports of sugar exported or contracted for before November 11, 1977, and entered on or before January 1, 1978, were exempt from duties and fees proclaimed by the President on November 11, 1977, and as far as is known, all sugar imported was subject to this exemption, the duty of 1.875 cents per pound was used for November and December 1977. Beginning January 1978, the increased duty of November 11, 1977, and the fixed fee established by the President on January 20, 1978, are used as a simplifying assumption since imports were negligible in January 1978.

3/ Beginning November 1977, the quota premium or discount is assumed to be zero for purposes of calculation. If data on domestic prices of sugar were available this assumption could be revised.

4/ Data for January 1974 to October 1977 are spot prices for Contract No. 12 bulk sugar, delivered to Atlantic or Gulf ports, duty paid, or duty free. Beginning November 1977, data are estimates calculated from the world prices shown, assuming a zero quota premium or discount.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Figure 2.--Raw sugar prices: Comparison of U.S. prices and world prices 1951-77.



Source: Compiled from official statistics of the U.S. Department of Agriculture pound and exceeded 8 cents per pound only in 1963. The world price averaged less than 4 cents per pound over the same period and was more volatile, reaching an annual average of 8.5 cents per pound in 1963 but remaining below 2 cents per pound during 1966-68 (table 21).

The termination of the Sugar Act and its system of import restrictions on December 31, 1974, marked the end of separate world and U.S. prices of raw sugar. The old quota premium or discount between these prices has been nearly eliminated because the two prices are effectively the same after allowance for insurance, freight, and duty. If the prices of sugar in the world and U.S. markets are not equal, the markets will not be cleared, and market forces will act to eliminate any difference between these prices. 1/

World markets.—The world price does not represent the price at which a majority of world sugar is traded, but represents only the residual market after producing countries have satisfied their domestic needs and those of preferential markets. 2/ Prior to U.S. entry into the world market in 1974 and the concurrent cessation of the Commonwealth Sugar Agreement, approximately 20 percent of annual world production moved on the world free market. 3/

The world free market for sugar has been characterized in the short run by price instability and in the long run by large fluctations in price in 6- to 10-year cycles, as occurred in the years 1950 and 1951, 1956 and 1957, 1962-64, and 1972-76. These cyclical fluctuations in price were larger than in the short run because of the drawing down of world stocks over a period of prior years as world consumption exceeded world production. An eventual supply/demand imbalance without adequate world stocks available to moderate excess demand pressure resulted in relatively large price fluctuations. The price fluctuations of 1972-76 were much greater than those of any earlier period because several short-term factors magnified the price effect stemming from the recurrent long-term problem of inadequate world stocks.

1/ Tables 20 and 21 present the insurance, freight, duty, and quota premium or discount data. The quota premium or discount (calculated by subtracting the sum of the world price, f.o.b. Caribbean, cost of insurance, and freight and duty from the New York spot price) has tended to zero. Figures 1 and 2 were drawn without allowances for these differences to avoid superposition of the series in the later period.

2/ The domestic sugar markets in many countries are insulated from events occurring on the world market. For example, the internal prices of sugar in many countries in 1974-75 did not reflect the high world prices of the period. Consequently, aggregate world demand did not contract as much as if a uniform consumer resistance to high world prices had occurred.

3/ This figure is based on the International Sugar Organization's reporting of net imports from the free market as defined in its most recent Statistical Bulletin.

Table 21.--Sugar: Component parts of U.S. retail prices, 1960-77

(In cents per pound)

Year	World price, f.o.b. Carib-bean 1/	Cost of insur-ance and freight	Duty per lb. for 96° raw sugar	World price, New York basis	Quota premium or dis-count	U.S. price, New York, duty paid 2/	U.S. price, after re-fining loss 3/	Spread for re-fining	Excise tax per lb. of refined sugar	Whole-sale refined price, North-east 4/	Spread for retail-ing 5/	Retail price, U.S. aver-age
1960	3.14	0.450	0.500	4.09	2.21	6.30	6.741	2.145	0.535	9.43	2.20	11.63
1961	2.91	.315	.625	3.85	2.45	6.30	6.741	2.124	.535	9.40	2.37	11.77
1962	2.98	.265	.625	3.87	2.58	6.45	6.902	2.163	.535	9.60	2.10	11.70
1963	8.50	.285	.625	9.41	-1.23	8.18	8.753	2.654	.533	11.94	1.64	13.58
1964	5.87	.295	.625	6.79	.11	6.90	7.383	2.767	.530	10.68	2.13	12.81
1965	2.12	.325	.625	3.07	3.68	6.75	7.223	2.467	.530	10.22	1.58	11.80
1966	1.86	.335	.625	2.82	4.17	6.99	7.479	2.351	.530	10.36	1.68	12.04
1967	1.99	.335	.625	2.95	4.33	7.28	7.790	2.300	.530	10.62	1.57	12.19
1968	1.98	.355	.625	2.96	4.56	7.52	8.046	2.264	.530	10.84	1.34	12.18
1969	3.37	.375	.625	4.37	3.38	7.75	8.293	2.617	.530	11.44	.96	12.40
1970	3.75	.505	.625	4.88	3.19	8.07	8.635	2.805	.530	11.97	1.00	12.97
1971	4.52	.505	.625	5.65	2.87	8.52	9.116	2.834	.530	12.48	1.13	13.61
1972	7.43	.485	.625	8.54	.55	9.09	9.726	2.834	.530	13.09	.82	13.91
1973	9.61	.755	.625	10.99	-.70	10.29	11.010	2.530	.530	14.07	1.03	15.10
1974	29.99	1.005	.625	31.62	-2.12	29.50	31.565	2.255	.530	34.35	-2.01	32.34
1975	20.49	.805	.625	21.92	.55	22.47	24.043	7.112	.265	31.42	5.74	37.16
1976	11.58	.810	.970	13.36	-.05	13.31	14.242	4.958	0	19.20	4.78	23.98
1977 6/	8.22	.767	1.875	10.86	.13	10.99	11.759	5.241	0	17.00	4.66	21.66

1/ Data are spot prices, New York Sugar Exchange: 1960, Contract No. 4; 1961-70, Contract No. 8; 1971-77, Contract No. 11.

2/ Data are spot prices, New York Sugar Exchange: 1960, Contract No. 6; 1961-66, Contract No. 7; beginning Nov. 21, 1966, Contract No. 10; and beginning Oct. 1, 1974, Contract No. 12.

3/ The price is adjusted for refining loss according to the formula: 1.07 pounds of 96° raw sugar equals 1.00 pound of refined sugar.

4/ Wholesale lots of 100-pound bags, f.o.b., before "freight prepays," discounts, and allowances.

5/ Spread is indicative only, since Northeast wholesale prices do not apply for other U.S. areas represented in the U.S. average.

6/ 10-month average, January-October 1977.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

A-73

Price instability since 1973.—The origin of the explosion in prices in 1974 can be traced back to the 1960's. The high world price in 1963 encouraged an excessive production response which resulted in extremely low world prices of approximately 2 cents per pound in the period 1965-68. In 1969 the world price began to climb, but because of poor economic conditions in the producing countries' sugar sectors stemming from the earlier period of overproduction and low prices, world production did not respond adequately to the increased prices.

World sugar consumption equaled or exceeded world production in 1970, 1971, and 1972, and sugar stocks declined. World production reached record levels in crop year 1973/74 and some rebuilding of stocks occurred, but production was down in some important areas. For example, production was down by 10 percent in the United States. At the same time, estimated world consumption for 1974-75 again exceeded estimated world production. World stocks were very tight, at less than 20 percent of world consumption, and sugar prices, which had remained below 30 cents per pound through July 1974, began to rise rapidly (fig. 1 and table 20).

World production increased in 1972/73 and 1973/74, and record prices normally would have brought forth increased production such as had occurred in response to high prices in 1956/57 and 1963/64. However, world production fell in 1974/75. The decrease in production became increasingly apparent as crop predictions were revised downward. Total U.S. sugar production fell 5 percent in 1974/75, and U.S. beet sugar production fell by 9 percent. Aggressive purchase programs were undertaken by sugar-deficit countries to maintain domestic consumption requirements, and world prices continued to climb.

Other developments affected the sugar market during this period of supply and demand imbalance. Various actions contributing to uncertainty had adverse psychological effects on the market. The ups and downs of efforts to extend the Sugar Act, rumors of excess purchases by the U.S.S.R. and Middle East nations, and withholding of exports by some major world suppliers contributed to market instability. 1/ The announcement of additional U.S. sugar-consumption requirements of 200,000 tons on December 11, 1973, and 500,000 tons on January 11, 1974, and U.S. supply deficits of 600,000 tons on September 25, 1974, probably exerted upward pressure on the world price. By the fall of 1974 the sugar market was panic stricken. Hoarding of sugar was a chronic problem. The price of raw sugar peaked at 65 cents per pound in New York in the week of November 18.

Actual market conditions began to have an effect in late 1974. Exaggerated demand predictions were revised downward. Supply forecasts improved, and supplies greater than had been expected entered the market.

1/ Subsequent research by the Council on Wage and Price Stability and the U.S. Department of Agriculture dispelled some of these rumors, but the effect on the market occurred, whatever the authenticity of the rumors at the time.

These factors and strong consumer resistance to high prices brought about an abrupt reversal in price trends in late 1974 and early 1975. 1/ The annual per capita consumption of sugar dropped from 101.5 pounds in 1973 to 90.2 pounds in 1975 (fig. 3) but has since partially recovered to an estimated 95.7 pounds in 1977. Corn sweeteners, especially high-fructose sirup, have shown a steady increase in per capita consumption.

Figure 1 presents monthly-average raw sugar prices during the period January 1973-October 1977. The U.S. price leveled off in the range of 14 to 15 cents per pound from October 1975 through July 1976. Following a significant decline in price from June through early September, the duty for 96 degrees raw sugar was increased from 0.625 to 1.875 cents per pound, effective September 21, 1976. After dropping to a monthly average 9.80 cents per pound in September, the domestic price level has been relatively stable, trending upward to 12.57 cents per pound in April and then fluctuating downward to 10.23 cents per pound in October 1977.

Figure 4 presents weekly average U.S. prices, world prices, and their difference from January 1976 to October 1977 to provide greater detail on recent movements in prices. The difference between the U.S. price and the world price widened in September 1976 to reflect the increased duty. The Presidential announcement on May 4, 1977, not to provide import relief, but rather to recommend an income-support program for domestic sugar producers was accompanied by a period of falling domestic and world sugar prices.

There are several causes of the current low world and U.S. prices of raw sugar. World production and consumption of sugar are of primary importance. However, because most world production is consumed internally, often in protected markets, only a limited portion of world consumption and production enter into the demand and supply of the world free market. Therefore, changes in aggregate world production and consumption and the difference between the two do not necessarily represent the same changes on the world free market.

World production of sugar exceeded consumption by 4.9 million short tons in crop year 1976/77, 2/ thereby increasing stocks by that amount. World production of 100 million short tons and world consumption of 94 million short tons are projected for 1977/78 resulting in an estimated increase in stocks of 6 million short tons which would bring ending stocks to 31 million short tons. This would make the fourth consecutive

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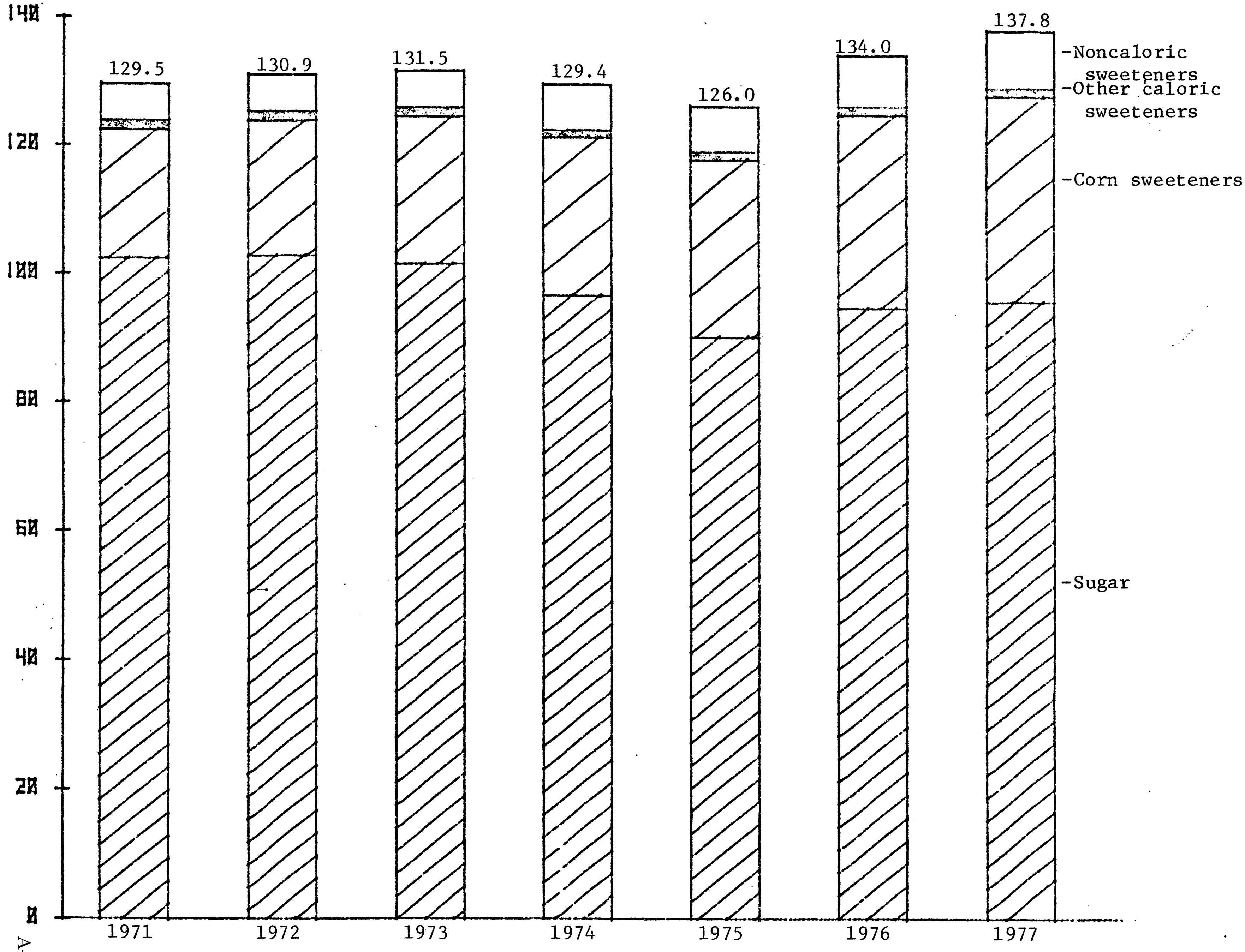
1/ U.S. refined-sugar deliveries in 1975, by types of containers, were down 14 percent for liquid sugar, 6 percent for bulk dry sugar, 27 percent for packages 50 pounds and over, and 5 percent for packages under 50 pounds.

2/ Crop years are on a September/August basis, but include the outturn of sugar harvests of several Southern Hemisphere countries which begin prior to September.

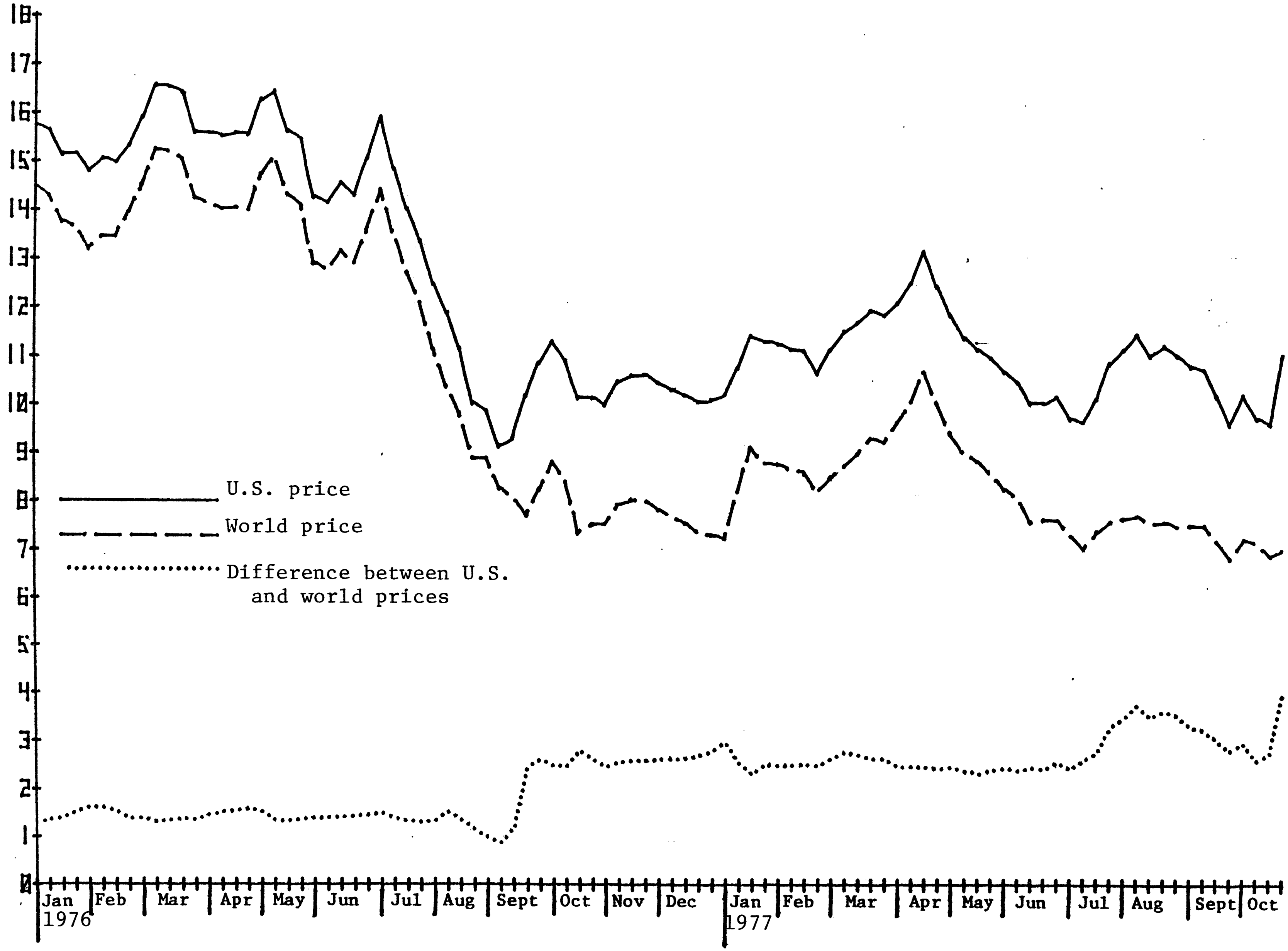
Figure 3.--Sugar and other sweeteners: U.S. per capita consumption, 1971-77.



Source: Compiled from official statistics of the U.S. Department of Agriculture.

A-76

Figure 4.--Sugar: Comparison of U.S. and world raw-sugar prices, by weeks, January 1976 to October 1977.



Source: Compiled from official statistics of the U.S. Department of Agriculture.

A-77

year of excess production, with additions to stocks totaling 15 million short tons. The increased stocks put downward pressure on prices, especially considering that the increase in stocks would represent almost a doubling of quantities available to the world free market where only about 16 million to 18 million short tons are traded annually.

The recently approved International Sugar Agreement which began operating provisionally January 1, 1978, is designed to raise world prices, which were down to 7 cents per pound in October and November 1977, to a range of 11 to 21 cents per pound. This is to be accomplished by means of export quotas and buffer stocks. These stocks are accumulated when world prices fall below 14 cents per pound and released when world prices rise above 19 cents per pound.

The Food and Agricultural Act of 1977, signed into law at the end of September 1977, provides that the price of domestically grown sugar crops be supported through a loan or purchase program at a level of not less than 52.5 percent of parity, but no less than 13.5 cents per pound (raw sugar equivalent). Table 22 shows the parity prices for sugar beets and sugar cane in dollars per net ton. Sugar beets are supported at $22.84 per net ton or 52.5 percent of the July 1977 parity price of $43.50 per net ton. Sugar cane is supported at 13.5 cents per pound, raw equivalent, since 52.5 percent of the July 1977 parity price would have resulted in less than 13.5 cents per pound. The February 1978 parity prices for sugar beets and sugar cane were $45.20 per net ton and $34.60 per net ton, respectively, both up 4 percent from the previous July. If the parity price were to remain at this level for July 1978, the minimum price-support level would be set for the 1978 crop at about 14 cents per pound.

In November, two Presidential proclamations were issued imposing a variable fee on imported sugar of up to 3.3 cents per pound and increasing the tariff on imported sugar from 1.875 cents per pound to 2.81 cents per pound in order to prevent imports from materially interfering with the price-support program. The intended combined effect of the proclamations was to raise the price of imports, c.i.f., duty paid to the price-support floor of 13.5 cents per pound as long as the world price of raw sugar remained in the range of 6.67 cents per pound to 10 cents per pound.

On January 20, 1978, the President issued a new proclamation setting fixed import fees of 2.7 cents per pound on raw sugar and 3.22 cents per pound on refined sugar. Import duties remain at 2.81 cents per pound on raw sugar and 2.98 cents per pound on refined sugar. The new proclamation attempts to eliminate problems of administering a variable fee and close the loophole for refined sugar imports. However, there is a question as to whether the desired effect can be achieved (see the discussion on pp. 12-14) because the difference in world prices for raw and refined sugar does not always reflect actual refining costs. In fact,

Table 22.--Sugar beets and sugar cane: Parity prices, by months, January 1973-February 1978

(Per net ton)

Month	1973		1974		1975		1976		1977		1978 1/	
	Sugar beets	Sugar cane	Sugar beets	Sugar cane	Sugar beets	Sugar cane	Sugar beets	Sugar cane	Sugar beets	Sugar cane	Sugar beets	Sugar cane
January	$25.70	$17.80	$29.20	$20.00	$41.80	$31.80	$42.20	$32.60	$42.20	$32.20	$44.50	$34.10
February	26.10	18.00	29.50	20.20	42.00	31.90	42.80	33.00	42.80	32.70	45.20	34.60
March	26.50	18.30	29.80	20.40	41.80	31.80	43.00	33.10	43.20	32.90	-	-
April	26.90	18.60	30.50	20.90	42.40	32.20	42.40	32.70	43.70	33.30	-	-
May	27.40	18.90	30.60	20.90	42.80	32.50	42.40	32.70	43.80	33.40	-	-
June	28.00	19.40	30.80	21.00	43.20	32.90	42.90	33.10	43.60	33.20	-	-
July	28.00	19.20	32.00	22.10	40.50	31.20	43.20	33.10	43.50	33.30	-	-
August	28.40	19.90	33.00	22.70	40.70	31.40	43.20	33.10	43.30	33.10	-	-
September	28.70	19.70	33.40	23.00	41.10	31.70	43.10	33.00	43.20	33.10	-	-
October	28.80	19.80	33.70	23.20	40.90	31.50	42.90	32.90	43.20	33.10	-	-
November	29.10	19.90	34.00	23.50	41.00	31.60	42.80	32.80	43.40	33.20	-	-
December	29.40	20.20	34.30	23.60	41.20	31.70	43.10	33.00	43.50	33.20	-	-

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

in September 1977, the London Daily Price for raw sugar was higher than the spot price for refined sugar, as shown in the following tabulation (in cents per pound):

Period	Average London Daily Price for raw sugar (c.i.f. United Kingdom)	Average London Daily Price for refined sugar (c.i.f. United Kingdom)
1977:		
September	8.24	8.05
October	8.04	8.42
November	7.93	8.80
December	8.98	9.45
1978:		
January	9.72	10.00
February	9.42	10.29

Adding import duties, fees, and an estimate of the cost of insurance and freight to the February refined sugar price of 10.29 cents per pound, c.i.f. United Kingdom, results in a world price, New York basis, of about 17.5 cents per pound. Thus, while the world price, New York basis, for raw sugar was 14.7 cents per pound in February, more than a penny above the price objective of 13.5 cents per pound, the world price, New York basis, for refined sugar was slightly below the price objective of 17.67 cents per pound for refined sugar.

Further, the actual February wholesale price for refined sugar, Northeast, was about 20.54 cents per pound, providing an economic incentive to import refined sugar. Offsetting this incentive, however, is the lack of established marketing channels for imported refined sugar and the threat of antidumping actions and more stringent Presidential measures to close any loopholes.

An important consideration is the interaction of the U.S. sugar market with the world market. The United States is unable to obtain imports of sugar without affecting the world market because of the relative volumes involved. Estimated U.S. imports of over 6 million short tons in 1977 represent about one-third of the free-market volume of approximately 17 million short tons. Therefore, developments in the U.S. sugar economy have definite effects on the world market, particularly on the price in the world market. The raising of U.S. import duties and the adding of import fees has a depressing effect on world prices.

Sugar imports increased dramatically in the last part of 1977, partly as a result of importers taking advantage of the exemption of imports already contracted for and entered by January 1, 1978, from the import fee and increase in duty, and of exporters depleting their stocks to be in an advantageous position relative to stocking requirements and export quotas of the International Sugar Agreement. This should strengthen prices in the short run. However, if U.S. stocks, which started the year at record high levels, are drawn down to more normal levels, downward pressure would result.

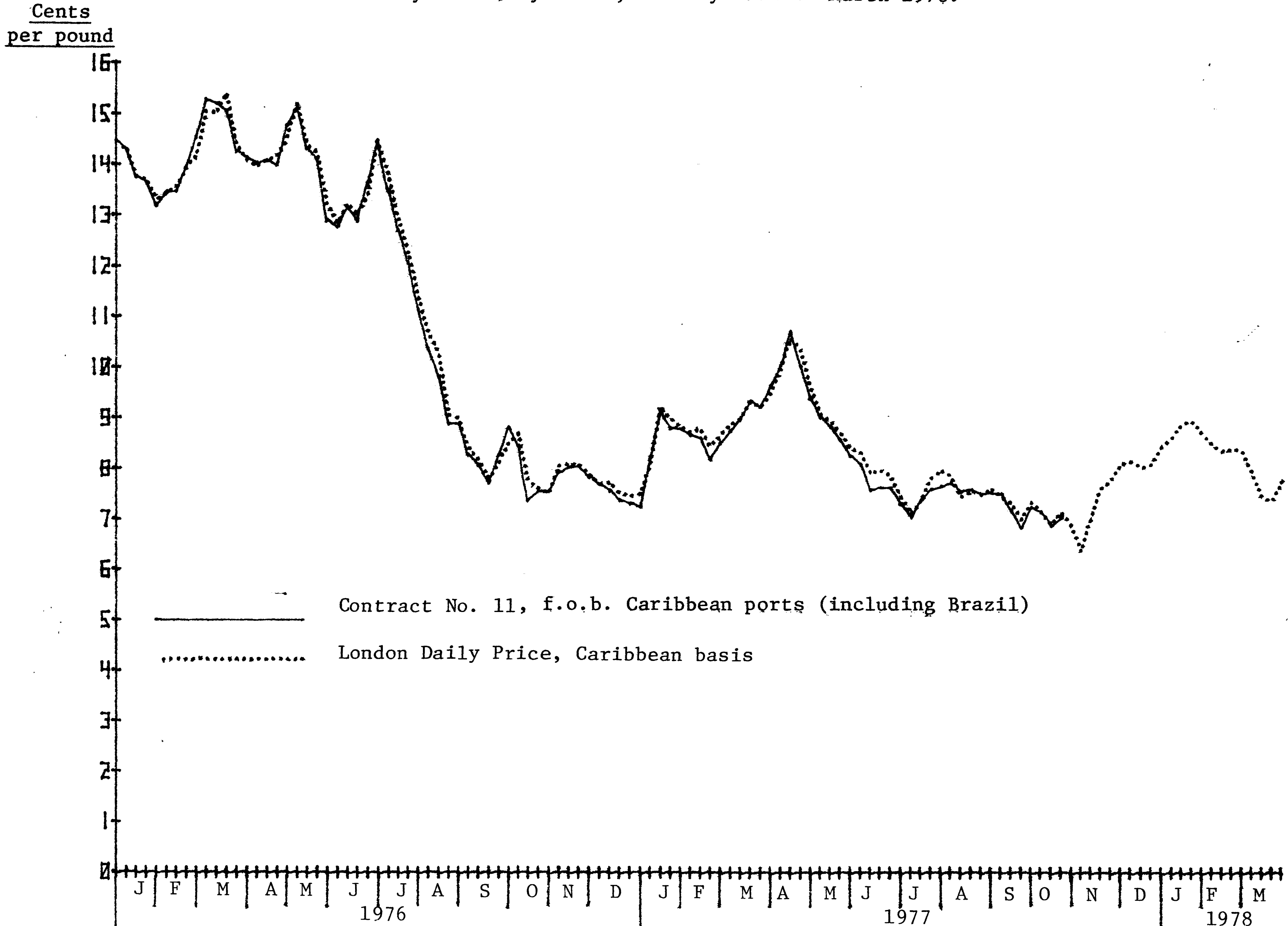
While imports coming from all countries are subject to the new import fee, imports eligible for GSP treatment will continue to enter duty free. Thus the proportion of GSP imports to total imports, which was about 15 percent for the first 9 months of 1977, can be expected to increase in 1978.

Raw sugar prices since October 1977.—Reporting of daily spot raw sugar prices by the New York Coffee and Sugar Exchange has been suspended since November 3, 1977. This was a heavily relied upon price series. The trade and the Commodity Futures Trading Commission have not yet worked out an acceptable alternative. The London Daily Price, Caribbean basis, provides a good substitute for New York spot prices for Contract No. 11, bulk sugar, f.o.b., stowed at Greater Caribbean ports (including Brazil). A comparison is made in figure 5 showing that the two prices track each other closely. From January 1976 to October 1977, the weekly averages for the two prices were never more than about 5 percent apart, with an average difference for the entire period of only 1 percent. The London Daily Price, Caribbean basis, increased from an average of 7.09 cents per pound in November 1977 to 8.74 cents per pound in January 1978 before dipping to 7.74 cents per pound in March 1978 (table 20).

Finding a substitute for the New York spot prices for Contract No. 12, bulk sugar, delivered at Atlantic or Gulf ports, duty paid or duty free, is more difficult. One method (employed in table 20) is to convert the London Daily Price, Caribbean basis, to New York basis by adding the cost of insurance and freight, and import duties and fees, and assuming a zero quota premium or discount, equating this with the New York duty-paid U.S. price. This results in an estimated U.S. price for raw sugar in March 1978 of 14.00 cents per pound. An alternative method of determining the U.S. price is to start with the price of refined sugar (wholesale, Northeast) which was 20.03 cents per pound in March 1978 and work back by substracting the 1977 10-month average spread for refining of 5.24 cents per pound and a 7-percent refining loss. The resulting price estimate for U.S. raw sugar is 13.82 cents per pound and is fairly close to that obtained by the previous method. In addition, futures prices give an indication of current and expected future price levels.

During the month of January the average March, May, and July Contract No. 11 world sugar settlement prices were 9.36, 9.73, and 9.92 cents per

Figure 5.--World raw sugar prices: Comparison of New York Sugar Exchange Price and London Daily Price, by weeks, January 1976 to March 1978.



Source: Compiled from official statistics of the U.S. Department of Agriculture and the International Sugar Organization pound, respectively. After a considerable drop to below 7.30 cents per pound earlier in March, the May Contract No. 11 world sugar price recovered somewhat to close at 8.07 cents per pound on March 27, 1978. Following a similar trend, the May Contract No. 12 U.S. sugar price fell below 13.50 cents per pound but closed at 14.18 cents per pound on March 27, 1978.

Competitive sweetener prices.—Sweeteners can be divided into nutritive and non-nutritive groups. The most important nutritive sweeteners other than sugar are derived from corn starch, and saccharin is the most important non-nutritive sweetener. The discussion of competitive sweetener prices is limited to nutritive sweeteners because saccharin has a relatively small share of the sweetener market.

The principal nutritive sweeteners are sugar, corn sirup, and dextrose. These products are not perfect substitutes for each other as each has specific properties ideally suited for different uses. A newly developed product, high-fructose sirup, is rapidly growing in use and appears to have disturbed the complementarity in use of the other sweeteners. 1/ For example, the soft-drink industry is the largest industrial user of sugar and, although ordinary corn sirups have not made significant inroads in this market, high-fructose sirup appears to be ideally suited for use in soft drinks.

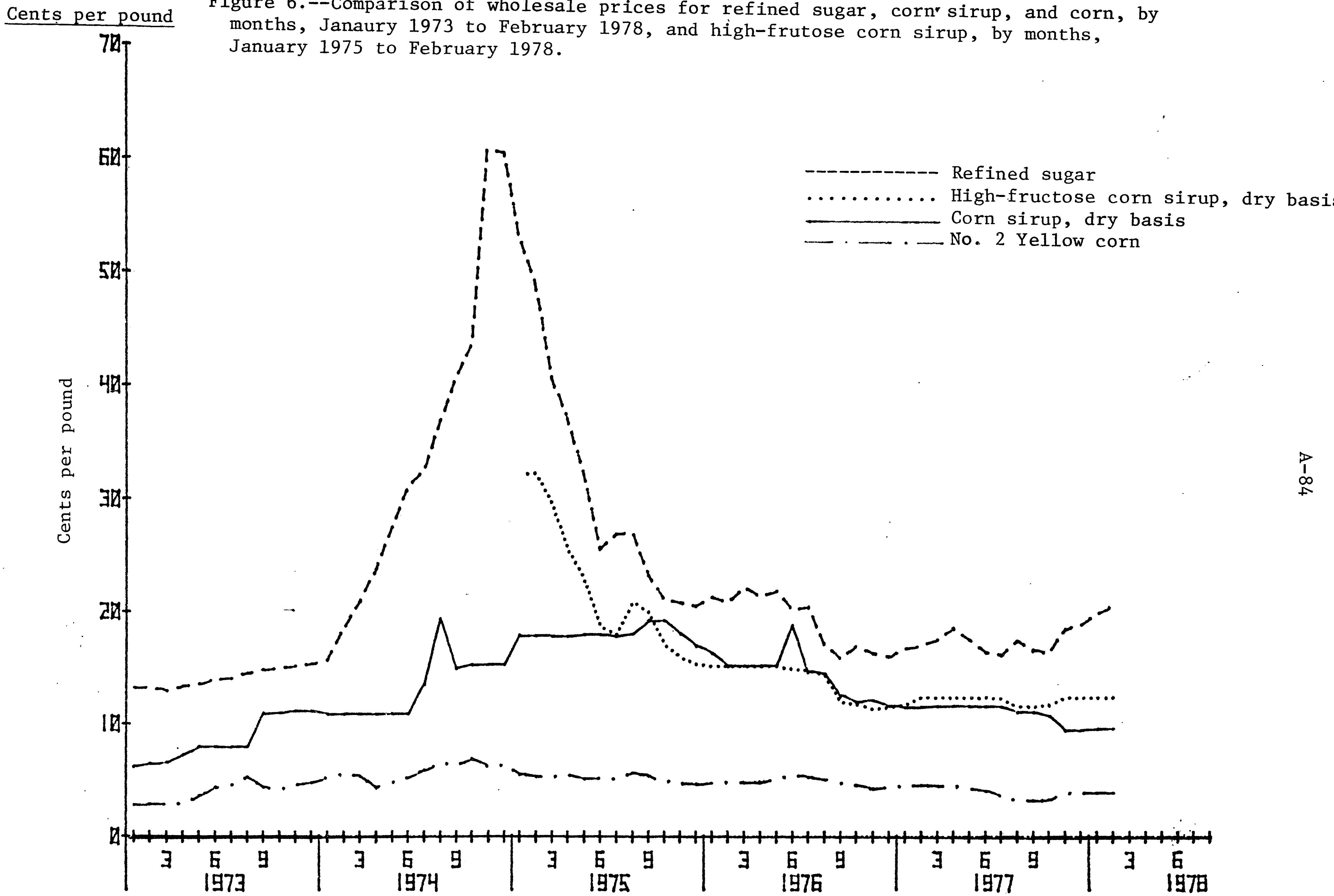
Industry and Government sources indicate that high-fructose sirup could substitute for any sweetener use that does not specifically require dry crystals. It is unlikely that this will occur, but it has been estimated that high-fructose sirup will eventually supply approximately one-half of the industrial market. While recent use was limited because of lack of sufficient productive capacity, there are reports of current excess processing capacity, a result of lower sugar prices and the coming on stream of new capacity, which had been planned for during the 1974-75 period of very high sugar prices.

Figure 6 presents monthly price data for refined sugar, corn sirup, yellow corn, and high-fructose sirup. Prices of refined sugar and corn sirup reflect the complementary aspects of corn sirup with sugar. Corn sirup is a sweetener with its own unique characteristics in flavor and use.

Table 23 presents prices for high-fructose corn sirup, corn sirup, and refined sugar. The price of high-fructose corn sirup was first reported in 1975, although measurable production occurred as early as 1971. High-fructose corn sirup is priced competitively below the price of refined sugar. This competitive margin is approximately 20 to 30 percent, and the two price series are highly correlated. The price of high-fructose corn sirup is highly correlated with the price of refined sugar because the two products are good substitutes in many applications.

1/ Virtually all high-fructose sirup is produced from corn.

Figure 6.--Comparison of wholesale prices for refined sugar, corn sirup, and corn, by months, Janaury 1973 to February 1978, and high-frutose corn sirup, by months, January 1975 to February 1978.



Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 23.--Wholesale prices of high-fructose corn sirup, corn sirup, and refined sugar, by months, January 1975-February 1978

(In cents per pound)

Month	1975			1976			1977			1978		
	High-fructose sirup 1/	Corn sirup 2/	Refined sugar 3/	High-fructose sirup 1/	Corn sirup 2/	Refined sugar 3/	High-fructose sirup 1/	Corn sirup 2/	Refined sugar 3/	High-fructose sirup 1/	Corn sirup 2/	Refined sugar 3/
January	32.20	17.81	52.95	15.14	16.33	21.31	11.69	11.49	16.70	12.32	9.59	10.85
February	32.20	17.83	48.96	15.14	15.18	20.86	12.32	11.49	16.94	12.32	9.61	20.54
March	29.45	17.78	40.50	15.14	15.18	22.20	12.32	11.59	17.45	11.28	9.61	20.03
April	25.58	17.80	37.01	15.14	15.18	21.41	12.32	11.59	18.52	-	-	-
May	22.93	17.93	32.23	15.14	15.18	21.87	12.32	11.59	17.52	-	-	-
June	18.68	17.93	25.57	14.85	18.74	20.22	12.32	11.59	16.40	-	-	-
July	17.95	17.78	26.89	14.79	14.73	20.46	12.24	11.54	16.13	-	-	-
August	20.82	18.04	27.05	14.34	14.50	17.04	11.55	11.07	17.38	-	-	-
September	19.97	19.17	23.30	11.89	12.56	15.85	11.55	11.07	16.57	-	-	-
October	17.06	19.20	21.15	11.75	12.00	16.90	11.68	10.73	16.35	-	-	-
November	15.95	18.11	20.84	11.30	12.12	16.28	12.30	9.49	18.50	-	-	-
December	15.27	17.01	20.53	11.48	11.61	15.97	12.32	9.49	18.88	-	-	-

1/ High-fructose corn sirup, in bulk, dry basis, Decatur, Ill.
2/ Corn sirup, in bulk, dry basis, New York.
3/ Refined sugar, in 100-pound bags, Northeast.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

A-85

High-fructose corn sirup was substantially higher in price than other corn sirups in the early part of 1975, was generally lower in price than other corn sirups in the last quarter of 1975 and in 1976, but was higher in price than other corn sirups in 1977 and early 1978. High-fructose corn sirup production is estimated at 1 million tons in 1977, double the amount 2 years ago. With their high degree of substitutability for sugar in some uses, high-fructose corn sirup sales should benefit from higher sugar prices under the price-support program, and production is expected to be up again in 1978.

Elasticity of demand for imports.—Regression analysis was employed in order to estimate the price elasticity of demand for imported sugar. 1/ Using quarterly data, it was found that a 1-percent increase in the price of imported sugar has historically been associated with a 0.22-percent

1/ An elasticity is the percentage change in one variable associated with a 1-percent change in another variable. The association of price and quantity demanded is a negative relationship, and the association of income and quantity demanded is generally positive.

decrease in sugar imports. 1/ An earlier study developed a price elasticity of domestic demand for sugar of -0.24 at the retail level. 2/ This means that the demand for sugar is highly price inelastic. A change in price results in only small changes in quantity demanded. If the quantity available is restricted, large changes in price could result.

1/ A number of alternative model specifications were tried. The specification giving the best results was imports of sugar as a function of world price of sugar, domestic corn sirup price, real gross national product, sugar inventories, and dummy variables for the quota period and for seasonality. The regression was run on quarterly data from April 1969 to September 1977. The equation with estimated coefficients and corresponding t-statistics follows:

$$\log M = \underset{(2.1)}{8.8} - \underset{(-3.6)}{0.23} \log p_{-1} - \underset{(-2.7)}{0.39} P_a + \underset{(1.2)}{0.78} \log Y - \underset{(-3.2)}{0.77} \log S$$

$$- \underset{(-2.2)}{0.29} D_0 + \underset{(2.1)}{0.33} D_1 + \underset{(4.2)}{0.59} D_2 + \underset{(5.4)}{0.36} D_3$$

with a coefficient of determination (R^2) of 0.78, standard error of estimate of 0.12, and a Durbin-Watson statistic of 2.0, where M equals sugar imports; p_{-1} equals the world price of sugar, New York basis, lagged 1 period; P equals the New York corn sirup price, dry basis; Y equals real gross national product in 1972 dollars; S equals domestic inventories of raw and refined sugar; D_0 equals a dummy variable to account for the quota period; and D_1, D_2, and D_3 are seasonal dummy variables. All coefficients are of the expected sign except for corn sirup price, and all coefficients are statistically significant except for real gross national product. Since imported and domestic sugar are nearly perfect substitutes, the price of corn sirup, an alternative or competing product, was used. The indicated relationship with respect to the price of corn sirup shows that imports of sugar tend to increase as corn sirup prices decrease. The best explanation of this phenomenon is that corn sirup prices are correlated (+0.77) with sugar prices in the previous period; hence, both have a negative sign. Apparently the corn sirup price is related to the price of sugar. That is, if sugar prices increase in period 1, prices of corn sirup are likely to rise in period 2. Conversely, lower sugar prices in period 1 tend to depress the price of corn sirup.

2/ Consumer Demand for Food Commodities in the United States With Projections for 1980, P. S. George and G. A. King, Giannini Foundation Monograph No. 26, California Agricultural Experiment Station, March 1971, p. 47.

Edible Molasses

Description and uses

TSUS item 155.35 provides for: Sugars, sirups, and molasses, derived from sugar cane or sugar beets; not principally of crystalline structure and not in dry amorphous form; other than those containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6 percent or less by weight of the total soluble solids. TSUS item 155.40 covers these same articles if they are "imported for use other than (a) the commercial extraction of sugar or (b) human consumption;" therefore, TSUS item 155.35 covers only articles imported for human consumption or the commercial extraction of sugar. All the articles imported under this description have been for human consumption. No importation of molasses for the commercial extraction of sugar has occurred for many years. Edible molasses is the term generally used to describe the articles entered under TSUS item 155.35.

Edible molasses products are characterized by a high degree of natural flavor and are virtually all derived from sugar cane. The principal edible molasses products are sugar cane sirup, edible molasses, and refiner's sirup. Sugar cane sirup is evaporated or concentrated juice of sugar cane from which no sugar has been extracted. The sugar content may be partially inverted to prevent crystallization and fermentation. Sugar cane sirups are generally produced from sugar cane grown specifically for sirupmaking. "Barbados fancy molasses" is a sugar cane sirup of particular quality and type imported in substantial quantities from Barbados. Molasses is a byproduct of the manufacture of sugar. Edible molasses is produced in sugar cane mills as the byproduct of the manufacture of raw sugar. Refiner's sirup is a molasses produced in cane sugar refineries as a byproduct of the manufacture of refined sugar. In general, molasses for human consumption has less sugar extracted from it than molasses for other purposes (variously termed final, blackstrap, or industrial molasses). However, some blackstrap molasses is used for human consumption and would be covered by TSUS item 155.35. So-called high-test or invert molasses is generally a concentrated sugar cane sirup in which a substantial portion of the sucrose content has been changed to invert sugar and is not ordinarily produced in the United States. Most high-test or invert molasses is for industrial use and not for human consumption.

Most edible molasses is used as table sirup and in household and commercial food preparations. Its value in these uses is more for its flavors than for its sugar content. The value of edible molasses is not generally related to its sugar content.

U.S. customs treatment

The column 1 rate of duty applicable under TSUS item 155.35 is 2.9 cents per gallon, and the column 2 rate of duty is 6.8 cents per gallon.

TSUS item 155.35 is an eligible article for duty-free treatment under the Generalized System of Preferences. Because of the competitive-need criterion which specifies that a country which supplies over 50 percent of an eligible article cannot be eligible for GSP treatment in the following year, the Dominican Republic was ineligible from January 1, 1976, to February 29, 1976, and Barbados will have been ineligible from March 1, 1976, to February 28, 1979.

U.S. production

U.S. production of edible molasses declined from 2.5 million gallons in 1971 to about 1.6 million gallons in 1976 (table 24). The principal producers of edible molasses are sugar cane mills in Louisiana. Sugar cane sirups are produced principally in Louisiana, but are also produced in Mississippi, Alabama, and Georgia. Much of the production of these articles is for local consumption. Cane sugar refiners at Atlantic and Gulf ports are the principal producers of refiner's sirup.

U.S. imports

Most imports of edible molasses have been from the Dominican Republic and Barbados, although Canada has always supplied small quantities of refiner's sirups (table 25). Imports from Barbados are "Barbados fancy molasses" and imports from the Dominican Republic are believed to be invert molasses. Because of a decline in imports from the Dominican Republic, it appears that Barbados will probably continue to supply over 50 percent of U.S. imports at all times, hence will not be eligible for GSP duty-free treatment.

There have been no imports of molasses for the commercial extraction of sugar, although this is the product covered by TSUS item 155.35 that would be most likely to have an adverse effect on the price-support operations of the U.S. Department of Agriculture for sugar cane or sugar beets. Production and imports of molasses for human consumption are so small and of such a character that their effect on the price-support program for sugar is negligible.

Flavored or Blended Sugars, Sirups, or Molasses

Description and uses

TSUS item 155.75 provides for articles of the description: Sugars, sirups, and molasses, described in subpart A, part 10, schedule 1 of the TSUS, flavored; and sirups, flavored or unflavored, consisting of blends of any of the products of this subpart. This description embraces a wide variety of products although it does not cover sweetened concentrated or unconcentrated fruit juices (TSUS items 165.15 to 165.70). The flavors

Table 24.--Molasses for human consumption: U.S. production by types, imports, exports, and apparent consumption, 1970-77

(In thousands of gallons)

Year	Production				Imports	Exports	Apparent consumption
	Cane sirup	Refiner's sirup	Edible molasses	Total			
1970---	1/ 2,500	1,695	2,121	6,316	2,052	1/ 200	8,168
1971---	1/ 2,500	1,883	2,517	6,900	2,333	1/ 200	9,033
1972---	1/ 2,500	2,077	2,290	6,867	1,623	1/ 200	8,290
1973---	1/ 2,500	2,309	1,926	6,735	2,857	1/ 200	9,392
1974---	1/ 2,500	2,564	1,559	6,623	2,469	160	8,932
1975---	1/ 2,500	2,482	1,560	6,542	2,483	300	8,725
1976---	1/ 2,500	2,403	1,550	6,453	3,188	209	9,432
1977---	2/	2/	2/	2/	1,553	169	2/

1/ Estimated by the U.S. International Trade Commission.
2/ Not available.

Source: U.S. production compiled from official statistics of the U.S. Department of Agriculture, except as noted, imports and exports compiled from official statistics of the U.S. Department of Commerce.

Table 25.--Edible molasses (TSUS item 155.35): U.S. imports for consumption, by selected sources, 1972-77

Source	1972	1973	1974	1975	1976	1977
	Quantity (1,000 gallons)					
Barbados	139	864	726	661	1,498	705
Dominican Republic	949	1,869	1,587	901	1,618	801
French West Indies	0	1	3	11	12	11
Canada	50	112	141	56	57	12
Republic of China	0	1/	4	1	1/	14
West Germany	1	7	3	1/	1	1
Hong Kong	0	0	0	0	1	7
People's Republic of China	0	0	0	0	1/	1
South Africa	483	0	0	845	0	0
Trinidad and Tobago	0	0	4	7	0	0
Other	1	1/	2	1/	0	1/
Total	1,623	2,857	2,469	2,483	3,188	1,553
	Value (1,000 dollars)					
Barbados	226	1,272	1,791	2,248	3,512	1,516
Dominican Republic	751	1,365	2,177	1,300	1,824	609
French West Indies	-	2	5	36	42	34
Canada	72	178	297	157	192	33
Republic of China	-	2/	8	1	1	9
West Germany	3	3	4	1	1	3
Hong Kong	-	-	-	-	1	3
People's Republic of China	-	-	-	-	2/	2
South Africa	102	-	-	647	-	-
Trinidad and Tobago	-	-	7	17	-	-
Other	2	1	4	1	-	1
Total	1,156	2,824	4,293	4,407	5,574	2,211
	Unit value (per gallon)					
Barbados	$1.63	$1.47	$2.47	$3.40	$2.34	$2.15
Dominican Republic	.79	.73	1.37	1.44	1.13	.76
French West Indies	-	1.31	1.72	3.14	3.42	3.22
Canada	1.45	1.59	2.11	2.78	3.36	2.63
Republic of China	-	2.00	2.11	2.27	1.65	.68
West Germany	2.13	.38	1.42	3.01	2.45	3.94
Hong Kong	-	-	-	-	.57	.41
People's Republic of China	-	-	-	-	1.40	1.78
South Africa	.21	-	-	.77	-	-
Trinidad and Tobago	-	-	1.94	2.40	-	-
Other	1.86	2.83	2.03	1.73	-	7.07
Total	.71	.99	1.74	1.78	1.75	1.42

1/ Less than 500 gallons.
2/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

used may be either natural or artificial. Flavored sugars (including powders and pastes) are used in dessert powders, dry soft drink bases, dry ice cream mixes, dry cocktail mixes, and similar products, but could consist of sugar merely flavored with vanilla or vanillin. Flavored sirups are used for dessert toppings, for making soft drinks, for ice cream, for fountain use, and for the making of home beverages, but can include such finished products as grenadine sirup. Flavored molasses is not a common product, but thick soy sauce, which is the base for the making of thin soy sauce and other meat sauces, has been classified as a flavored molasses in TSUS item 155.75. The blended flavored or unflavored sirups are usually blends of sugar and maple sirup, or sugar and corn sirup and flavoring, ultimately sold as a sirup for table use.

U.S. customs treatment

The column 1 rate of duty applicable to articles of TSUS item 155.75 is 15 percent ad valorem, and the column 2 rate is 20 percent ad valorem. Imports under TSUS item 155.75 are eligible for GSP duty-free treatment for designated beneficiaries.

U.S. production

It is estimated that there are nearly 1,000 producers of articles of the description of TSUS item 155.75 in the United States and U.S. production of such articles is in excess of 1.5 billion pounds valued at $1.1 billion (table 26). The largest share of this production is flavored sirups for use by soft drink bottlers which produced 337 million pounds valued at $637 million in 1972. Chocolate sirup production was 215 million pounds valued at $47 million in 1972. Blended sirup production was 808 million pounds valued at $160 million in 1972.

U.S. imports and exports

U.S. imports of flavored and blended sugars, sirups, and molasses were 1.3 million pounds in 1972 and 1.4 million pounds in 1973. In 1974, imports jumped to 10.2 million pounds and jumped again in 1975 to 21.0 million pounds. In 1976, imports fell to 2.7 million pounds and declined to 2.2 million pounds in 1977 (table 27). The surge in imports in 1974 and 1975 was due to large imports of articles that were mostly sugar with some flavoring imported for their cheap sugar content. At the time, raw sugar was being imported into the United States at nearly 40 cents per pound but refined sugar was available in many sugar-producing countries at less than 20 cents per pound. Manufacturers who could use the sugar with added flavoring were quick to take advantage of the price spread. This is evidence that unless the sugar content of these articles is subject to import restrictions similar to those that apply to sugar, imports of these articles will increase to avoid the import restrictons.

Table 26.--Flavored or blended sugars, sirups, or molasses: U.S. production, imports, exports, and apparent consumption, 1970-77

Year	Production 1/	Imports	Exports	Apparent consumption
	Quantity (1,000 pounds)			
1970	2/ 1,504,680	645	29,604	1,475,721
1971	2/ 1,508,440	1,214	32,318	1,477,336
1972	1,512,200	1,264	15,963	1,497,501
1973	2/ 1,515,960	1,394	15,200	1,502,154
1974	2/ 1,519,720	10,165	28,391	1,501,494
1975	2/ 1,523,480	20,976	26,599	1,517,857
1976	2/ 1,527,240	2,687	25,779	1,504,148
1977	2/ 1,531,000	2,180	26,523	1,506,657
	Value (1,000 dollars)			
1970	3/	185	5,525	-
1971	3/	569	5,035	-
1972	1,071,100	508	7,381	-
1973	3/	444	10,925	-
1974	3/	1,996	12,764	-
1975	3/	3,619	17,390	-
1976	3/	785	17,934	-
1977	3/	929	23,013	-
	Unit value (cents per pound)			
1970	-	28.6	18.7	-
1971	-	46.9	15.6	-
1972	70.8	40.2	46.2	-
1973	-	31.9	71.9	-
1974	-	19.6	45.0	-
1975	-	17.3	65.4	-
1976	-	29.2	69.6	-
1977	-	42.6	86.8	-

1/ Shipments data from Census of Manufactures.
2/ Estimated.
3/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 27.--Sugars, sirups, and molasses, flavored, and blended sirups, flavored or unflavored (TSUS item 155.75): U.S. imports for consumption, by selected sources, 1972-77

Source	1972	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)					
European Community	169	155	147	108	181	285
Canada	17	4	12	50	36	411
Hong Kong	612	565	378	604	622	532
Jamaica	217	335	487	3,599	931	390
People's Republic of China	4	24	23	267	228	221
Poland	26	0	24	16	86	120
Brazil	0	0	308	9,137	1	1
Mexico	0	0	8,177	2,294	362	0
Australia	0	5	230	2,630	4	0
El Salvador	0	0	1	639	0	0
Honduras	0	0	0	735	0	0
Other	219	306	378	897	236	220
Total	1,264	1,394	10,165	20,976	2,687	2,180
	Value (1,000 dollars)					
European Community	94	117	122	94	156	238
Canada	9	2	2	9	14	181
Hong Kong	241	128	90	175	161	147
Jamaica	54	77	105	753	198	121
People's Republic of China	1	8	11	66	50	62
Poland	5	-	7	7	33	52
Brazil	-	-	33	1,074	3	3
Mexico	-	-	1,491	423	65	-
Australia	-	1	50	571	1	-
El Salvador	-	-	1/	125	-	-
Honduras	-	-	-	102	-	-
Other	104	111	85	220	104	125
Total	508	444	1,996	3,619	785	929
	Unit value (cents per pound)					
European Community	56	75	83	87	86	84
Canada	53	64	19	18	38	44
Hong Kong	39	23	24	29	26	28
Jamaica	25	23	22	21	21	31
People's Republic of China	28	32	50	25	22	28
Poland	20	-	30	43	39	43
Brazil	-	-	11	12	336	336
Mexico	-	-	18	18	18	-
Australia	-	12	22	22	28	-
El Salvador	-	-	55	20	-	-
Honduras	-	-	-	14	-	-
Other	47	36	22	25	44	57
Total	40	32	20	17	29	43

1/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. exports of flavored or blended sugars and sirups have always been larger than U.S. imports. From 1975 to 1977, such exports have been around 26 million pounds. The value of these exports has been rising from $17.4 million in 1975 to $23.0 million in 1977.

Sweetened Chocolate Coatings

Description and uses

TSUS item 156.25 provided for: Chocolate; sweetened; in bars or blocks weighing 10 pounds or more each. The principal articles fitting this description are sweetened chocolate coatings, which are generally put up in 10-pound bars or blocks for sale to confectionery manufacturers. However, an additional article falling under this description is liquid chocolate shipped in bulk from Canada, which was loaded on to tank trucks hot, allowed to solidify during transport and for customs entry, then reheated and unloaded as a liquid at the importer's plant. Certainly the solid chocolate in the tank was a bar or block weighing more than 10 pounds.

Sweetened chocolate in other forms is covered by TSUS item 156.30. Most such imports are sweetened chocolate bars for consumption at retail as candy or confection, or a dry powdered chocolate product, known as chocolate crumb, which is used in the manufacture of chocolate. Chocolate crumb products containing milk are subject to absolute quotas under section 22.

U.S. customs treatment

The rates of duty for TSUS item 156.25 are 0.4 cents per pound in column 1 and 4 cents per pound in column 2. The ad valorem equivalent of the specific rate of duty in column 1 in 1977 was less than 0.4 percent. Imports under TSUS item 156.30 are eligible for GSP duty-free treatment.

U.S. production and consumption

There are over 20 plants in the United States which produce sweetened chocolate, but it is believed that only a few of these plants actually produce sweetened chocolate coatings for sale to other plants. U.S. production of sweetened chocolate coatings is closely related to consumption of chocolate coatings by confectionery manufacturers which is reported annually by the U.S. Department of Commerce. In 1972, U.S. consumption was 331 million pounds, rising to 336 million pounds in 1973, then falling to 228 million pounds in 1975. In 1976, consumption rose to 257 million pounds (table 28). Over the same period the value of consumption rose from $114 million in 1972 to over $175 million in 1976. The increased prices of cocoa beans caused by a worldwide shortage of cocoa bean production have caused the price of sweetened chocolate to nearly double from 1972 to 1976.

Table 28.--Sweetened chocolate coatings (TSUS item 156.25): U.S. production, imports, exports, and consumption, 1970-76

Year	Production 1/	Imports	Exports	Consumption 2/
	Quantity (1,000 pounds)			
1970	340,849	2,393	619	342,623
1971	317,518	3,601	617	320,502
1972	328,466	3,234	667	331,033
1973	334,159	3,339	1,534	335,964
1974	264,536	1,127	697	264,966
1975	227,461	1,587	1,062	227,986
1976	255,845	2,449	811	257,483
1977	3/	2,976	810	3/
	Value (1,000 dollars)			
1970	3/	1,015	187	138,922
1971	3/	1,385	184	114,303
1972	3/	1,242	195	113,819
1973	3/	1,665	611	132,536
1974	3/	670	386	150,670
1975	3/	1,103	687	156,035
1976	3/	2,053	561	175,490
1977	3/	3,021	773	3/
	Unit value (cents per pound)			
1970	-	42.4	30.2	40.5
1971	-	38.5	29.8	35.7
1972	-	38.4	29.2	34.4
1973	-	49.9	39.8	39.4
1974	-	59.4	55.4	56.9
1975	-	69.5	64.7	68.4
1976	-	83.8	69.2	68.2
1977	-	101.5	95.4	3/

1/ Indicated production assuming no changes in stocks.
2/ Actual consumption by confectionery manufacturers.
3/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. imports

U.S. imports of sweetened chocolate coatings have been small in relation to U.S. production, generally around 3 million pounds (table 29). The principal sources of U.S. imports have been Belgium and Switzerland. In recent years, there has been a tendency for foreign suppliers of cocoa beans to encourage the domestic processing of cocoa and chocolate products. This encouragement has caused a rapid rise in U.S. imports of some semiprocessed chocolate products such as unsweetened chocolate, cocoa butter, and cocoa powder. However, as yet this has not affected sweetened chocolate coatings. At least one major supplier of cocoa products, Brazil, and probably other suppliers would certainly have the capacity to add sugar to any chocolate products for export.

Sweetened Cocoa

Description and uses

TSUS item 156.45 provides for: Cocoa; sweetened. Sweetened cocoa is used primarily as a beverage base. Virtually all U.S. production of unsweetened cocoa is sweetened in its ultimate use, so sweetened cocoa could also be used for the manufacture of products that currently utilize unsweetened cocoa. Sweetened cocoa products with milk products added are classifiable in TSUS item 182.98 as edible preparations, not specially provided for. Apparently, sweetened cocoa can contain substantial amounts of sugar without affecting its classification.

U.S. customs treatment

Sweetened cocoa entered under TSUS item 156.45 is dutiable in column 1 at 5 percent ad valorem and in column 2 at 40 percent ad valorem. Sweetened cocoa is eligible for GSP duty-free treatment. Because of the competitive-need criterion which limits imports from designated beneficiaries which supply over 50 percent of the value of U.S. imports of an eligible article, Mexico was ineligible from January 1, 1976, to February 29, 1976. The Dominican Republic was ineligible from March 1, 1977, to February 28, 1978, and Brazil will have been ineligible from March 1, 1978, to February 28, 1979.

U.S. production

U.S. production of sweetened cocoa was 273 million pounds valued at $113.2 million in 1972, according to the Census of Manufactures (table 30). Production of sweetened cocoa has probably not increased substantially, although the value of production has probably increased because of higher prices for cocoa and sugar.

Table 29.--Sweetened chocolate coatings (TSUS item 156.25): U.S. imports for consumption, by selected sources, 1972-77

Source	1972	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)					
Belgium	1,654	974	405	1,120	570	1,681
Switzerland	1,494	2,232	665	466	1,840	1,081
Canada	0	99	0	0	0	82
Netherlands	1	1	0	0	0	79
Poland	0	0	0	0	0	39
West Germany	4	2	0	0	0	11
United Kingdom	0	0	3	1	0	2
France	0	0	0	1	40	0
Dominican Republic	81	19	50	0	0	0
Other	0	10	4	0	0	0
Total	3,234	3,339	1,127	1,587	2,449	2,976
	Value (1,000 dollars)					
Belgium	599	395	221	646	479	1,678
Switzerland	627	1,225	419	455	1,535	1,112
Canada	-	35	-	-	-	99
Netherlands	1/	1	-	-	-	80
Poland	-	-	-	-	-	47
West Germany	2	1	-	-	-	2
United Kingdom	-	-	3	1/	-	2
France	-	-	-	1	40	-
Dominican Republic	14	3	25	-	-	-
Other	-	4	3	-	-	-
Total	1,242	1,665	670	1,103	2,053	3,021
	Unit value (cents per pound)					
Belgium	36.2	40.4	54.5	57.7	84.1	99.8
Switzerland	41.9	54.9	63.0	97.8	83.4	102.8
Canada	-	35.7	-	-	-	120.3
Netherlands	51.0	65.3	-	-	-	101.7
Poland	-	-	-	-	-	121.5
West Germany	48.3	70.0	-	-	-	20.0
United Kingdom	-	-	97.8	67.1	-	110.9
France	-	-	-	96.0	98.8	-
Dominican Republic	17.7	16.8	48.8	-	-	-
Other	-	42.4	75.1	-	-	-
Total	38.4	49.9	59.4	69.5	83.8	101.5

1/ Less than $500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 30.--Sweetened cocoa (TSUS item 156.45): U.S. production, imports, exports, and apparent consumption, 1970-77

Year	Production 1/	Imports	Exports	Apparent consumption
	Quantity (1,000 pounds)			
1970	2/ 240,680	4,292	1,274	243,698
1971	2/ 256,840	2,049	1,393	257,496
1972	273,000	92	1,579	271,513
1973	2/ 273,000	328	1,706	271,622
1974	2/ 273,000	4,753	1,427	276,326
1975	2/ 273,000	5,421	2,091	276,330
1976	2/ 273,000	296	1,235	272,061
1977	2/ 273,000	523	1,782	271,741
	Value (1,000 dollars)			
1970	3/	488	484	3/
1971	3/	287	529	3/
1972	113,200	9	587	3/
1973	3/	58	632	3/
1974	3/	1,400	599	3/
1975	3/	1,660	1,123	3/
1976	3/	86	759	3/
1977	3/	427	1,265	3/
	Unit value (cents per pound)			
1970	-	11.4	38.0	-
1971	-	14.0	38.0	-
1972	41.5	10.1	37.2	-
1973	-	17.8	37.1	-
1974	-	29.5	42.0	-
1975	-	30.6	53.7	-
1976	-	28.9	61.5	-
1977	-	81.7	71.0	-

1/ Production is shipments as reported in the Census of Manufactures.
2/ Estimated.
3/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. imports

U.S. imports of sweetened cocoa are small compared with domestic production. The highest level of imports was 5.4 million pounds in 1975. In 1976, imports fell to 296,000 pounds and rose slightly to 523,000 pounds in 1977 (table 31). The surge in imports in 1974 and 1975 is believed to have been in response to high world sugar prices, nearly 40 cents per pound for raw sugar, while refined sugar was available for manufacture and export in sweetened cocoa at prices less than 20 cents per pound in certain sugar-producing countries. It is believed that much of the increase in imports of sweetened cocoa from Brazil, the Dominican Republic, Mexico, and Australia consisted of products with high sugar content, perhaps as much as 80 percent by weight.

Candy and Other Confectionery

Description and uses

TSUS item 157.10 provides for: Candy and other confectionery, not specially provided for. This provision includes most confectionery products, but does not include solid sweetened chocolate, for consumption at retail as candy or confectionery (TSUS item 156.30); glacé or candied nuts, fruits, fruit peel, or other parts of plants (TSUS items 154.05 through 154.60); and biscuits, cake, cakes, wafers, and similar baked products, and pudding, by whatever name known, whether or not containing chocolate, fruit, nuts, or confectionery (TSUS item 182.20). Chewing gum, usually associated with confectionery, is covered under item 182.32. Some of the major types of candy included under item 157.10 are hard candies, fondants and creams, fudges, caramels and toffees, marshmallows and nougats, sweetened chocolate containing nuts or fruits, and various specialty candies, especially holiday items. Many of these confectionery products are coated with chocolate.

U.S. customs treatment

The rate of duty applicable to TSUS item 157.10 under column 1 is 7 percent ad valorem and in column 2 is 40 percent ad valorem. Candy is eligible for GSP duty-free treatment. Headnote 1 to part 10, subpart C, of schedule 1 of the TSUS provides that if chocolate, candy, cakes, glacé fruits or nuts, or other confections are mixed or packaged together, the assortment is to be treated as a whole (tariff entirety) with the rate of duty for the whole being the highest rate of duty applicable to any product in the assortment.

U.S. production

U.S. production of confectionery fell from 3.9 billion pounds in 1970 to about 3.1 billion pounds in 1977 (table 32). Despite the decline

Table 31.--Sweetened cocoa (TSUS item 156.45): U.S. imports for consumption, by selected sources, 1972-77

Source	1972	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)					
Brazil	0	0	529	2,941	0	260
Dominican Republic	91	206	776	818	272	229
Netherlands	0	16	71	13	0	20
Switzerland	0	27	1	9	0	11
Mexico	0	0	3,079	1,061	0	0
Australia	0	0	239	545	0	0
Argentina	0	0	0	32	0	0
Costa Rica	0	0	40	0	0	0
Other	1	79	17	2	24	3
Total	92	328	4,753	5,421	296	523
	Value (1,000 dollars)					
Brazil	-	-	144	804	-	311
Dominican Republic	9	21	149	255	69	88
Netherlands	-	6	45	10	-	14
Switzerland	-	16	1	9	-	10
Mexico	-	-	979	450	-	-
Australia	-	-	52	117	-	-
Argentina	-	-	-	12	-	-
Costa Rica	-	-	13	-	-	-
Other	1	16	18	3	17	4
Total	9	58	1,400	1,660	86	427
	Unit value (cents per pound)					
Brazil	-	-	27.2	27.4	-	119.6
Dominican Republic	9.6	10.3	19.2	31.2	25.3	38.4
Netherlands	-	36.1	67.6	77.5	-	67.9
Switzerland	-	58.4	64.8	95.4	-	97.8
Mexico	-	-	31.8	42.4	-	-
Australia	-	-	21.8	21.5	-	-
Argentina	-	-	-	37.7	-	-
Costa Rica	-	-	33.0	-	-	-
Other	55.6	19.8	104.3	133.8	70.8	137.7
Total	10.1	17.8	29.5	30.6	28.9	81.8

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 32.--Confectionery: U.S. production, imports, exports, and apparent consumption, 1970-77

Year	Production	Imports	Exports	Apparent consumption
	Quantity (1,000 pounds)			
1970	3,937,943	123,674	14,705	4,046,912
1971	3,870,271	114,331	18,900	3,965,702
1972	3,793,233	136,046	26,141	3,903,138
1973	3,806,818	138,523	33,532	3,911,809
1974	3,651,407	153,368	39,004	3,765,771
1975	3,356,732	131,845	33,554	3,455,023
1976	3,466,667	152,195	41,013	3,577,849
1977	1/ 3,072,000	120,288	44,475	3,147,813
	Value (1,000 dollars)			
1970	1,909,747	44,665	6,489	-
1971	1,974,302	42,745	7,871	-
1972	1,976,899	56,005	11,954	-
1973	2,141,000	65,223	16,917	-
1974	2,771,000	86,543	24,469	-
1975	2,830,000	97,230	25,432	-
1976	2,912,000	101,193	30,064	-
1977	1/ 2,885,000	86,238	33,757	-
	Unit value (cents per pound)			
1970	48.5	36.1	44.1	-
1971	51.0	37.4	41.6	-
1972	52.1	41.2	45.7	-
1973	56.2	47.1	50.5	-
1974	75.9	56.4	62.7	-
1975	84.3	73.7	75.8	-
1976	84.0	66.5	73.3	-
1977	1/ 93.9	71.7	75.9	-

1/ Preliminary estimate.

Source: Compiled from official statistics of the U.S. Department of Commerce.

in sales of candy in the United States, the value of sales has been generally rising, from $1.9 billion in 1970 to 2.9 billion in 1977. A large part of the decline in sales is due to the higher cost of ingredients, particularly chocolate and cocoa, but also sugar. As a result, the weight of products sold has fallen while the selling price has risen. The demand for candy is elastic, and price increases usually result in declines in sales until the consumer adjusts to the new higher price level for the products. During the period 1970 to 1977, the unit value of sales rose from 48.5 cents per pound to 93.9 cents per pound. Production of candy is broken out between candy containing cocoa and chocolate and candy not containing cocoa and chocolate as shown in tables 33 and 34.

U.S. imports

U.S. imports of confectionery in TSUS item 157.10 are reported for statistical purposes on the basis of whether or not they contain cocoa or chocolate. U.S. imports of candy not containing cocoa or chocolate were 85.2 million pounds in 1972, 89.5 million pounds in 1973, 109.3 million pounds in 1974, and 105.0 million pounds in 1975. In 1976, a record 117.5 million pounds were imported, but in 1977, imports fell to 89.7 million pounds (table 35). U.S. imports of candy containing cocoa or chocolate were 29.1 million pounds in 1972, 28.0 million pounds in 1973, 30.1 million pounds in 1974, 20.5 million pounds in 1975, and 27.0 million pounds in 1976. Imports in 1977 fell to 24.9 million pounds (table 36). While the quantity of such candy imported varied from year to year, the value of imports rose steadily from $15.8 million in 1972 to $26.3 million in 1977. The principal source of candy imports both containing and not containing cocoa and chocolate is the United Kingdom. Other large suppliers of candy not containing cocoa or chocolate are Spain, West Germany, Italy, Netherlands, and Argentina. Large suppliers of candy containing cocoa and chocolate are Canada, West Germany, Switzerland, Netherlands, and Italy.

Edible Preparations, Not Specially Provided For

Description and uses

TSUS item 182.98 provides for a residual class of imported products for human consumption not provided for elsewhere in the tariff schedules. The term "edible preparations" embraces only substances prepared and chiefly used as human food, or as an ingredient in such food. The term does not include any substance provided for in schedule 4 (except pt. 2, subpt. E thereof) or schedule 5 (except pt. 1, subpt. K thereof) of the tariff schedules.

A wide range of products are covered under item 182.98. Because of the residual character of the class, the following list of products is

Table 33.--Confectionery, not containing cocoa or chocolate: U.S. production, imports, exports, and apparent consumption, 1970-77

Year	Production	Imports	Exports	Apparent consumption
	Quantity (1,000 pounds)			
1970	1/	75,580	8,897	1/
1971	1/	72,873	12,232	1/
1972	1,590,349	85,156	14,744	1,660,761
1973	1,651,926	89,460	15,647	1,725,739
1974	1,609,343	109,314	19,314	1,699,343
1975	1,453,962	104,961	17,008	1,541,915
1976	1,402,416	117,525	19,408	1,500,533
1977	1/	89,712	25,252	1/
	Value (1,000 dollars)			
1970	1/	21,363	3,352	1/
1971	1/	21,763	4,158	1/
1972	598,603	29,577	5,472	1/
1973	670,816	37,017	6,114	1/
1974	867,277	53,026	9,817	1/
1975	889,980	70,766	10,754	1/
1976	839,623	69,191	12,595	1/
1977	1/	52,282	15,706	1/
	Unit value (cents per pound)			
1970	-	28.3	37.7	-
1971	-	29.9	34.0	-
1972	37.6	34.7	37.1	-
1973	40.6	41.4	39.1	-
1974	53.9	48.5	50.8	-
1975	61.2	67.4	63.2	-
1976	59.9	58.9	64.9	-
1977	-	58.3	62.2	-

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 34.--Confectionery containing cocoa or chocolate: U.S. production, imports, exports, and apparent consumption, 1970-77

Year	Production	Imports: Solid chocolate confectionery	Imports: Confectionery containing chocolate	Imports: Total	Exports	Apparent consumption
	Quantity (1,000 pounds)					
1970--	1/	19,486	28,608	48,094	5,808	1/
1971--	1/	12,563	28,895	41,458	6,668	1/
1972--	2,202,884	21,839	29,051	50,890	11,397	2,242,377
1973--	2,154,891	21,094	27,969	49,063	17,885	2,186,069
1974--	2,042,060	13,968	30,086	44,054	19,690	2,066,424
1975--	1,902,767	6,366	20,518	26,884	16,546	1,913,105
1976--	2,064,248	7,696	26,974	34,670	21,605	2,077,313
1977--	1/	5,713	24,865	30,576	19,223	1/
	Value (1,000 dollars)					
1970--	1/	9,199	14,103	23,302	3,137	1/
1971--	1/	5,814	15,168	20,982	3,713	1/
1972--	1,378,294	10,612	15,816	26,428	6,482	1/
1973--	1,470,182	11,346	16,860	28,206	10,803	1/
1974--	1,903,721	10,518	22,999	33,517	14,652	1/
1975--	1,940,019	7,398	19,067	26,465	14,678	1/
1976--	2,072,374	8,422	23,580	32,002	17,469	1/
1977--	1/	7,609	26,347	33,956	18,051	1/
	Unit value (cents per pound)					
1970--	-	47.2	49.3	48.5	54.0	-
1971--	-	46.3	52.5	50.6	55.7	-
1972--	62.6	48.6	54.4	51.9	56.9	-
1973--	68.2	53.8	60.3	57.5	60.4	-
1974--	93.2	75.3	76.4	76.1	74.4	-
1975--	102.0	116.2	92.9	98.4	88.7	-
1976--	100.4	109.4	87.4	92.3	80.9	-
1977--	-	133.2	106.0	111.1	93.9	-

1/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 35.--Confectionery, not specially provided for, not containing cocoa or chocolate (TSUSA item 157.1020): U.S. imports for consumption, by principal sources, 1972-77

Source	1972	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)					
United Kingdom	30,661	32,683	44,441	45,093	49,737	26,595
Spain	2,692	1,620	1,961	3,244	5,252	8,885
West Germany	753	1,161	1,168	994	1,580	3,223
Italy	5,411	7,011	6,908	8,216	8,821	4,555
Netherlands	6,038	5,303	5,240	4,230	4,520	3,856
Argentina	3,275	7,328	8,432	4,654	7,543	8,066
Sweden	6,073	6,012	6,541	4,978	4,357	4,412
Colombia	5,795	5,961	8,230	9,407	7,538	6,765
Brazil	560	726	1,207	6,209	8,306	5,971
Canada	4,705	4,715	4,459	2,961	3,634	2,871
Hong Kong	1,037	1,673	1,097	1,478	2,329	1,955
Denmark	4,244	3,325	4,128	2,667	2,830	2,116
Poland	1,485	1,482	2,570	2,805	2,861	2,130
Other	12,427	10,460	12,932	8,025	8,217	8,312
Total	85,156	89,460	109,314	104,961	117,525	89,712
	Value (1,000 dollars)					
United Kingdom	9,431	10,635	17,227	27,406	26,868	14,345
Spain	2,117	2,400	2,521	3,899	5,440	7,380
West Germany	381	587	864	868	1,323	4,627
Italy	3,988	7,479	9,810	14,796	11,014	3,442
Netherlands	1,897	2,098	2,584	3,070	3,166	2,932
Argentina	697	1,676	2,437	2,094	2,604	2,586
Sweden	1,748	2,068	2,564	2,591	2,059	2,295
Colombia	1,014	1,112	1,961	2,958	2,397	2,147
Brazil	84	122	280	1,877	2,773	2,038
Canada	1,378	1,371	1,776	1,619	2,026	1,534
Hong Kong	427	623	704	1,082	1,687	1,435
Denmark	1,313	1,188	1,811	1,710	1,669	1,337
Poland	288	249	673	1,093	1,096	770
Other	4,814	5,409	7,814	5,703	5,076	5,414
Total	29,577	37,017	53,026	70,766	69,191	52,282
	Unit value (cents per pound)					
United Kingdom	30.8	32.5	38.8	60.8	54.0	53.9
Spain	78.6	148.1	128.6	120.2	103.6	83.1
West Germany	50.6	50.6	74.0	87.3	83.7	143.6
Italy	73.7	106.7	142.0	180.1	124.9	75.6
Netherlands	31.4	39.6	49.3	72.6	70.0	76.0
Argentina	21.3	22.9	28.9	45.0	34.5	32.1
Sweden	28.8	34.4	39.2	52.0	47.3	52.0
Colombia	17.5	18.7	23.8	31.4	31.8	31.7
Brazil	15.0	16.8	23.2	30.2	33.4	34.1
Canada	29.3	29.1	39.8	54.7	55.8	53.4
Hong Kong	41.2	37.2	64.2	73.2	72.4	73.4
Denmark	30.9	35.7	43.9	64.1	59.0	63.2
Poland	19.4	16.8	26.2	39.0	38.3	36.2
Other	38.7	51.7	60.4	71.1	61.8	65.[illegible]
Total	34.7	41.4	48.5	67.4	58.9	58.[illegible]

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 36.--Confectionary, not specially provided for, containing cocoa or chocolate (TSUSA item 157.1040): U.S. imports for consumption, by principal sources, 1972-77

Source	1972	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)					
United Kingdom	9,524	12,173	16,439	9,569	12,977	8,003
Canada	6,527	6,924	6,243	3,523	5,162	5,830
West Germany	4,260	2,593	1,194	1,682	1,157	3,123
Switzerland	1,787	1,279	1,257	922	1,197	1,333
Netherlands	549	449	546	381	2,132	1,627
Italy	639	531	364	481	864	713
Other	5,765	4,020	4,043	3,960	3,485	4,234
Total	29,051	27,969	30,086	20,518	26,974	24,863
	Value (1,000 dollars)					
United Kingdom	4,725	6,056	11,402	8,374	10,536	7,122
Canada	3,642	4,376	5,126	3,670	4,334	6,433
West Germany	2,226	1,780	1,139	1,664	1,281	4,997
Switzerland	1,499	1,330	1,603	1,380	1,785	2,174
Netherlands	345	284	366	307	1,408	1,254
Italy	813	812	581	772	1,356	1,177
Other	2,566	2,222	2,782	2,900	2,880	3,190
Total	15,816	16,860	22,999	19,067	23,580	26,347
	Unit value (cents per pound)					
United Kingdom	49.6	49.7	69.4	87.5	81.2	89.0
Canada	55.8	63.2	82.1	104.2	84.0	110.3
West Germany	52.3	68.6	95.4	98.9	110.7	160.0
Switzerland	83.9	104.0	127.5	149.7	149.1	163.2
Netherlands	62.8	63.3	67.0	80.6	66.0	77.1
Italy	127.2	152.9	159.6	160.5	156.9	164.9
Other	44.5	55.3	68.8	73.2	82.6	75.3
Total	54.4	60.3	76.4	92.9	87.4	106.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

only illustrative of the scope of the provision. Products in this category include individually packaged prepared meals; rice gluten; canned meat or fish mixed with vegetables; hydrolized vegetable protein used in food flavorings; ingredient mixtures for making various baked food; crackers with cheese filling; beef bone stock; specialty items such as chocolate-covered ants, bees, and grasshoppers, and salted melon and pumpkin seeds; blended food products such as mixtures of gelatinized cornmeal with soy flour, nonfat dry milk, and vitamins and minerals; frozen unbaked bread dough; unbaked pastry; frozen pizza pies; instant tea mixed with sugar and lemon; instant coffee mixed with sugar and a whitening agent; popsicles; milk sherbet; ice cream sandwiches; ice cream covered with a confectionery coating; confectionery coating made of sugar, skim milk powder, and vegetable fat when the ingredient of chief value is vegetable fat; prefried cereal breading when bread itself does not come into existence in any stage of manufacture; dessert topping in aerosol cans when the ingredient in chief value is not milk or cream; soybean protein concentrate used for enriching other foods; egg rolls, shrimp chop suey; shrimp fried rice; shrimp egg foo yung; and salt flavored with onion, garlic, smoke, or other substances.

U.S. customs treatment

The rate of duty in column 1 for TSUS item 182.98 is 10 percent ad valorem and in column 2 is 20 percent ad valorem. Imports under TSUS item 182.98 are not eligible for GSP duty-free treatment. Several articles in TSUS item 182.98 are subject to absolute quotas pursuant to section 22 of the Agricultural Adjustment Act, as amended.

TSUS item 950.16 provides for chocolate provided for in item 156.30 of part 10 and articles containing chocolate provided for in item 182.98, part 15, schedule 1, containing 5.5 percent or less by weight of butterfat (except articles for consumption at retail as candy or confection). These articles, known as "lowfat chocolate crumb" are subject to absolute quotas of 930,000 pounds for imports from the United Kingdom, 3,750,000 pounds of imports from Ireland, and zero for imports from all other sources. The articles of this description which fall in TSUS item 182.98 are lowfat chocolate crumb containing over 60 percent sugar.

TSUS item 950.19 provides for dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures contain over 16 percent milk solids by weight, are capable of being further processed or mixed with similar or other ingredients, and are not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing mixtures provided for in items 182.98 and 493.16, except articles within the scope of other import restrictions provided for in this part. These articles are subject to an absolute quota of zero imports from any source.

TSUS item 950.22 provides for articles containing over 5.5 percent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being used for any edible purpose (except articles provided for in subpts. A, B, C, or item 118.30, of pt. 4, schedule 1, and except articles which are not suitable for use as ingredients in the commercial production of edible articles); all the foregoing containing over 45 percent by weight of butterfat. These articles are subject to an absolute quota of zero imports from any source.

TSUS item 950.23 provides for articles containing over 5.5 percent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being used for any edible purpose (except articles provided for in subpts. A, B, C, or item 118.30, of pt. 4, schedule 1, and except articles which are not suitable for use as ingredients in the commercial production of edible articles); all the foregoing containing over 5.5 percent but not over 45 percent by weight of butterfat and classifiable for tariff purposes under item 182.92 or 182.98. These articles are subject to absolute quotas of 2,240,000 pounds for imports from Australia, 340,000 pounds for imports from Belgium and Denmark in the aggregate, and zero for imports from all other sources.

U.S. production

U.S. production of edible preparations of the kind classified in TSUS item 182.98 was about $3.9 billion in 1967 and increased to $6.0 billion in 1972. It is believed that, with the trend towards increased consumption of prepared food products and inflationary effects, current U.S. production is be substantially above that amount. One of the larger components of U.S. production is frozen specialties, such as frozen pies and dinners, which in 1972 were valued at $1.7 billion. Another large part of U.S. production is blended and prepared flour mixes, including refrigerated doughs, accounting for $0.8 billion in 1972.

U.S. exports

U.S. exports of edible preparations of the kind classified in TSUS item 182.98 have been rising from $12.3 million in 1972 to $46.7 million in 1977 (table 37). In recent years, U.S. exports have generally been larger than U.S. imports.

U.S. imports

U.S. imports of edible preparations under TSUS item 182.98 have been rising, from 31.6 million pounds in 1972 to 63.7 million pounds in 1977 (table 38). The value of U.S. imports rose from $10.6 million to $31.8 million over the same period. Japan has been the leading source of these imports for several years.

Table 37.--Edible preparations: U.S. exports, by leading sources and by types, 1972-77

(In thousands of dollars)

Source and type	1972	1973	1974	1975	1976	1977
Canada	4,429	3,896	5,627	6,430	5,368	6,572
United Kingdom	431	714	1,336	1,498	4,523	6,565
Japan	529	2,000	1,714	2 652	3,319	3,514
Uganda	-	-	-	-	-	1,749
Bahamas	517	660	1,055	908	805	1,560
Netherland Antilles	390	386	958	484	1,105	1,536
Saudi Arabia	245	365	463	885	10,190	1,434
Greece	555	832	860	1,469	1,016	1,345
Venezuela	170	106	267	163	468	1,323
Kuwait	111	137	254	266	819	1,301
Bermuda	249	285	536	615	618	1,233
West Germany	629	535	442	773	789	1,172
Hong Kong	193	454	571	893	826	1,125
Sweden	200	248	571	740	502	1,066
Leeward and Windward Islands	50	77	106	137	721	860
Australia	69	167	1,061	147	1,317	791
Mexico	192	419	1,188	743	538	603
Other	3,381	6,189	9,274	9,654	10,914	12,940
Total	12,340	17,470	26,283	28,457	43,838	46,689
Baby food, not elsewhere classified	1,751	2,324	2,906	3,520	2,741	3,491
Food preparations, not elsewhere classified, in airtight containers	5,161	6,955	10,527	10,340	16,652	16,813
Food preparations, not elsewhere classified, not in airtight containers	5,428	8,192	12,850	14,597	24,445	26,385

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 38.--Edible preparations, not specially provided for (TSUS item 182.98): U.S. imports for consumption, by selected sources, 1972-77

Source	1972	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)					
Japan	8,761	8,811	10,020	9,698	15,297	12,986
Dominican Republic	4	51	1,039	2,785	7,006	13,063
Canada	4,768	6,907	3,964	4,874	5,772	7,245
Republic of China	1,164	1,163	1,012	1,235	3,294	4,014
Mexico	49	1,108	5,274	4,800	3,838	8,100
Spain	1,845	1,808	1,801	2,816	3,298	2,445
Argentina	4,179	3,708	3,915	3,638	3,072	3,957
West Germany	1,386	1,647	1,935	863	965	1,009
Philippines	390	522	871	839	1,064	1,551
Switzerland	588	847	521	699	591	504
Hong Kong	792	614	647	693	785	664
United Kingdom	936	332	471	382	471	619
Greece	727	905	1,130	845	973	941
Sweden	501	718	603	551	806	842
Republic of Korea	627	635	630	1,213	1,152	1,020
People's Republic of China	277	322	215	291	333	497
France	117	127	105	88	117	395
Thailand	21	68	42	95	548	401
Netherlands	463	623	289	244	424	238
Other	3,985	3,665	3,822	5,284	3,013	3,244
Total	31,580	34,581	38,306	41,933	52,819	63,735
	Value (1,000 dollars)					
Japan	2,980	3,960	6,133	6,306	11,021	10,057
Dominican Republic	2	11	193	738	2,205	4,369
Canada	1,512	2,105	1,731	1,801	1,850	2,235
Republic of China	351	376	516	668	1,585	2,023
Mexico	18	180	1,004	866	1,125	1,924
Spain	720	837	990	1,787	2,234	1,829
Argentina	693	953	1,167	1,272	978	1,272
West Germany	652	644	877	626	708	1,000
Philippines	137	202	412	431	583	826
Switzerland	485	853	552	843	764	689
Hong Kong	280	289	377	472	643	626
United Kingdom	416	168	255	332	399	517
Greece	235	259	473	385	421	482
Sweden	173	245	282	306	346	470
Republic of Korea	138	149	235	476	473	431
People's Republic of China	134	223	190	270	308	379
France	84	84	170	91	162	349
Thailand	17	41	32	70	495	286
Netherlands	218	296	142	187	283	263
Other	1,380	1,370	1,891	2,469	1,483	1,737
Total	10,625	13,245	17,622	20,396	28,066	31,764

A-111

Source: Compiled from official statistics of the U.S. Department of Commerce.

As yet, the staff has been unable to obtain sufficient information to estimate the sugar content of U.S. imports of edible preparations. It is believed that this item was included in the investigation because of the potential to import large quantities of articles which are merely mixtures of large quantities of sugar and other ingredients such as flour under TSUS item 182.98. In addition, some of the articles classified under TSUS item 182.98 already contain substantial amounts of sugar.

Impact of Import Restrictions

There are many options for attaining U.S. sugar objectives. All the options have benefits for some segments of the U.S. market and also adversely affect other segments.

Producer subsidies

The option preferred by the Administration and the Department of Agriculture was an income-support-payments program for domestic producers, which was implemented September 15, 1977. The policy provided U.S. producers with the difference between U.S. market prices and a specified objective price through Government payments. U.S. market prices remained low at world price plus duty, freight, and insurance. Importers dealt in a free trade environment. Foreign suppliers received world prices. The U.S. corn sweetener industry received prices based on U.S. sugar market prices, but did not receive income support. The Government paid the difference between U.S. market prices and the objective price.

In the long run this option would have faced problems with corn sweetener producer opposition and taxpayer opposition to the large level of payments that could potentially result. Assuming a U.S. price of 10 cents per pound, an objective price of 15 cents per pound, and a domestic crop of 6 million tons, the total income support payments would have been $600 million. But if the U.S. price slipped to 6 cents per pound the total payment would have been $1.08 billion. Because of the passage of the Food and Agriculture Act of 1977, which mandated price support through loans for purchases, this option is no longer available.

Tariff options

Since price support through loans or purchases was mandated by the Food and Agriculture Act of 1977, it became necessary for the Department of Agriculture to raise the U.S. market price above the objective price. Section 22 allows for attaining this objective by means of import fees, not to exceed 50 percent ad valorem, or quotas which cannot restrict imports below 50 percent of import levels in a representative period.

The first option chosen by the Administration to achieve this objective was a variable tariff. The tariff was designed to vary with the value of sugar imports to provide a minimum U.S. price of 13.5 cents per pound when world prices were in the range of 6.67 cents per pound to 10 cents per pound. While world prices are in this range, the variation in the tariff would prevent U.S. prices from rising much above the price objective.

A variable tariff can assure that domestic producers received the objective price. Corn sweetener producers can price their product based on the objective price. The Government received the difference between world price and the objective price on sugar purchases. Foreign suppliers would receive the world price for sugar. Importers of U.S. sugar, however, would have had to bear the risk of duty changes. Because the value of imported sugar is not easily discernible, there would have been great confusion over the duty applicable to imported sugar.

On January 20, 1978, the Administration changed its variable tariff restriction to a fixed tariff restriction. With a fixed tariff, the U.S. producer receives the world price, plus duty, freight, and insurance. If the duty is high enough, the domestic producer should achieve the price objective. As a result, corn sweetener producers should be able to price their product based on the objective price. The Government will receive tariff income on all imported sugar. Importers have no risk of duty changes. Foreign suppliers receive the world price for their sugar. Consumers pay the world price plus duty, freight, and insurance for their sugar, which could often be more than the objective price.

Unfortunately world sugar prices are very volatile. When prices rise, the fixed-tariff option improves the position of domestic producers but causes domestic consumers to pay prices for sugar higher than the objective. Conversely when prices fall, the consumer may pay less than the objective price, but domestic producers may not achieve the price objective. This could be solved by periodically adjusting the fixed tariff, but this reintroduces duty risk to be borne by importers.

Another problem is that the authority to use tariffs to achieve the price objective is limited. The regular duties have been raised as high as possible under existing authorities and the section 22 authority has the 50-percent-ad-valorem limitation. Under current conditions, the tariff cannot be raised adequately to insure achievement of price objectives on refined sugar, and if raw sugar prices were to fall below 7 cents per pound, it would be difficult to achieve the raw sugar price objective.

Quota options

Pursuant to section 22, the alternative option to tariffs is quantitative restrictions in the form of quotas. If the quota option were chosen, the U.S. Department of Agriculture has indicated its preference that such quotas be global quotas, first come, first served, and not allocated country-by-country. Using such quotas would, in general, assure that U.S. producers would receive the price objective for their sugar and the corn sweetener industry could price its product based on the price objective. Importers would have free trade in terms of picking suppliers, although prices would be determined by quota. However, consumers would have to pay the objective price for sugar. Foreign suppliers would be in competition to be first-come first-served under this form of quota. In such a situation, it is likely that importers would be able to secure a substantial share of the quota premium (difference between U.S. price objective and the world price), at least on shipments early in the quota period. Some observers believe that first-come-first-served quotas would tend to set prices below the price objective early in a quota period and above the objective late in the period as the quota began to be filled. Because of the seasonal nature of sugar production, such global quotas could have adverse effects on producers whose production and shipments occurred at the wrong part of the quota period.

Country-by-country quotas benefit the countries receiving quotas and conversely discriminate against those receiving no quotas. Those foreign suppliers assured a share of the market can get the bulk of the quota premium and can time their shipments to assure the highest price. Importers lose free trade in the U.S. market. Because of the advantage of the quota premium foreign suppliers have an interest in seeing that U.S. price objectives are achieved. However, the U.S. Government must assume the responsibility for allocating the quotas among countries.

Another option is to auction quota licenses in an effort to capture any quota premium for the U.S. Government. Assuming as free an auction as possible, that is, open bidding by anyone, with transferrable licenses, it is likely that some large foreign suppliers would be the principal bidders and would bid the entire anticipated quota premium. Importers would face some uncertainty as to availability of licenses, but would have some freedom in picking suppliers. Under this system the Government secures the quota premium, but has the problem of equitable administration of the auction. Those who feel they need rights to import sugar into the United States would be able to secure such rights. Domestic producers would achieve the price objective, but consumers would have to pay the price objective.

Quota options presume that the establishment of quotas to achieve a specific price objective can be easily achieved. Under the Sugar Act, it was proved that quotas could be used to control prices within very narrow ranges at most times. However, the Sugar Act provided greater flexibility in administering quotas than is available under section 22 authority. Because these are problems associated with automotically adjusting quotas, such a system could result in price levels substantially different from price objectives, and it is likely that additional section 22 investigations would be necessary to make quota adjustments.

Options for sugar-containing products

The above discusson applies to imports of sugar provided for in TSUS items 155.20 and 155.30. The choice of options used for such sugar has an impact on the choice of sugar options that could be used for other sugar-containing products covered by this investigation.

If a tariff option were to be used for sugar, then a tariff on the sugar content of imports of the sugar-containing products would probably be the appropriate remedy for these other articles. Should a quota be chosen for sugar, then tariff options for these sugar-containing articles would tend to be inappropriate treatment for these articles, since the price effect of tariffs may not be equivalent to the price effect of quotas because of the difficulty in quota determination for products with varying price elasticities of demand.

For the sugar-containing products, a tariff remedy could be in the form of assessing the equivalent fee that is assessed on refined sugar on the sugar content of the imported article. For convenience, a de minimis percentage of sugar content could be applied, such as a tariff for such articles on the sugar content above 20 percent or more by weight. This option is easy with a fixed tariff, but becomes more difficult to apply assuming a variable tariff. While such a remedy does not prevent the importation of articles with high sugar content, it provides equivalent protection for the price-support program on whatever sugar may be contained therein.

A quota remedy on this article could take several forms. Quotas could be placed on such articles based on historical import levels. Such quotas, however, would do little to discourage imports of such articles with high sugar content and might discourage normal imports in favor of imports which attempt to circumvent sugar import restrictions.

Another method would be to place quotas on the sugar content of such imports. Ideally, the sugar content of such imports would be charged against the quota provided for sugar, if global, on that basis, and if country-by-country, on that basis. Again, a de minimis rule could be used.

If it was believed that all that was necessary was to discourage imports of such products with very high sugar content, a system could be based on quotas on imports "in chief value" or "in chief weight" of sugar. Since sugar is generally cheap in relation to other ingredients, the "in chief value" basis is much less restrictive.

Some of the articles under investigation have special problems. Edible molasses imports provided for in TSUS 155.35 probably have no impact on the price-support program, although the importation of molasses for commercial extraction of sugar would. In this instance, an absolute quota of zero could be placed on imports of molasses for the commercial extraction of sugar, and molasses for human consumption could be ignored. A tariff on sugar content for edible molasses would be inappropriate, because sugar occurs naturally in the product and is not added. A tariff option could be limited to the sugar content of molasses for commercial extraction of sugar.

Edible preparations of TSUS item 182.98 includes articles which contain substantial quantities of sugar but which are already subject to absolute quotas pursuant to section 22 because of their milk content. Hence any tariff remedy for sugar content of edible preparations which included these articles could lead to legal questions concerning the imposition of both tariffs and quotas pursuant to section 22. Judicial interpretation has indicated that both import fees and quotas cannot be applied on any article pursuant to secton 22 because the statute reads "such fees . . . or quantitative limitations."

Whatever remedy may be applied to sugar-containing products as a result of this investigation may eventually have to be applied to additional sugar-containing products in subsequent investigations. In this investigation a domestic manufacturer of sugar wafers classifiable in TSUS item 182.20, which provides for biscuits, cakes, wafers and similar baked products, and puddings, all the foregoing by whatever name known and whether or not containing chocolate, fruit, nuts or confectionery, submitted briefs expressing concern over the low-priced sugar content of competitive sugar wafers imported from Canada. Some other imported articles which contain substantial quantities of sugar and could be subjects of future investigations are: Ice cream of item 118.25; prepared and preserved strawberries of item 146.75; jellies, jams, marmalades, and fruits butters of items 153.02 through 153.32; glacé nuts, fruits, and other vegetable substances of items 154.05 through 154.90; industrial molasses of item 155.40; sweetened chocolate of item 156.30; confectioner's coatings of item 156.47; and chewing gum of item 182.32.

APPENDIX A

PRESIDENTIAL PROCLAMATIONS 4334, 4463, 4466, 4538, 4539, AND 4547, AND ACCOMPANYING STATEMENTS

legislative history of the waiver does not expressly demonstrate that the Congress intends it to be broad in scope.

The potential problems which could arise if this bill becomes law require a provision which will permit the President to waive its requirements for economic as well as foreign affairs and national defense reasons. Since the waiver language in the bill is not explicit, the Conference Committee Report should make it clear that the Congress intends to grant broad waiver authority.

Other provisions in the bill which concern me are: the narrowness of the definition of which ships are eligible to participate in this trade, the rebate of oil import fees and the unnecessary anti-pollution requirement that vessels serving certain ports be built with expensive double bottoms.

Another measure on which action is required is comprehensive health insurance. I will continue to seek agreement with the Congress on legislation centered on principles incorporated in the Comprehensive Health Insurance Plan. To keep this program from feeding inflation, however, the Congress will have to join with me in cutting Federal expenditures before we can afford this program.

Included in the *Military Construction Authorization* and *Appropriation* bills now before the Congress are funds for completing projects and initiating new ones at installations in 42 States and the District of Columbia. I reiterate my strong conviction that the limited expansion of facilities on Diego Garcia in the Indian Ocean is of critical importance.

Conclusion

This list of legislative priorities represents a streamlined action program for the Nation. To achieve results will require partnership, not partisanship, on the part of both the executive and the legislative branches. It will mean long days and nights of hard work—of communication, conciliation, compromise, and cooperation between the White House and the Congress, the House and the Senate, and majority and minority within the Congress itself.

But it must be done for one overriding reason: America needs these actions. And the American people rightly expect us to do everything we can to accomplish them.

I pledge my full cooperation with the Congress in the weeks ahead. I am confident that the Congress will respond in the same spirit.

GERALD R. FORD

The White House,
November 17, 1974.

Sugar Imports

Statement by the President on Signing Proclamation 4334. November 18, 1974

I am announcing actions designed to (1) insure the continued flow of sugar into this country from abroad and (2) encourage increased production domestically at the same time. The actions I am taking will maintain duties on sugar imports at the lowest permissible rate under the Tariff Schedules of the United States.

The Sugar Act is scheduled to expire on December 31, 1974. If no action is taken, tariffs on imported sugar will rise about 1.3 cents per pound on January 1, 1975. The law provides, however, that the President can continue the current rates in force if his proclamation extending the

A-118

rates includes a quota on sugar imports. I have, therefore, decided to extend the current tariff rates and will set an annual global quota of 7 million short tons for 1975. That quantity is more than adequate to meet anticipated import requirements. At the same time, it will ensure a degree of stability for our own sugar industry to operate effectively in a period of very tight supplies.

Although there is no risk we will run out of sugar, we may well experience higher prices than we would like until production catches up with demand. Users of sugar can help ease prices by buying wisely, conserving supplies, and consuming less sugar. I urge all Americans to reduce the amount of sugar in cooking and to put in half the amount usually used to sweeten coffee or tea.

The world sugar supply has tightened markedly in recent months. For the past 3 crop years, world sugar production has been rising. But even so, consumption has exceeded production by a small margin. Crop setbacks this year in a number of countries will prevent production from keeping pace with the normal growth of consumption. Since sugar production this year is expected to be about the same as last, worldwide sugar supplies will continue to be tight. Because we in this country import about one-half of the sugar we consume, we are directly affected by this worldwide problem. So far this year, our foreign suppliers have shipped 10 percent more sugar to the United States than last year.

The Council on Wage and Price Stability is working with sugar-using industries to stimulate conservation in the use of sugar. The Council will also hold public hearings to examine the margins charged by sugar processors, refiners, and distributors. The purpose of these hearings will be to ensure that the retail prices of sugar and sugar products are not unduly increased.

In the past, sharp increases in sugar prices have always been temporary, because they stimulated offsetting production increases of sugarcane and sugar beets. I have asked Secretary Butz to ensure that all American farmers are made aware of the excellent market opportunities offered by sugar beets and sugarcane and to make sure that there are no governmental impediments to increased production.

Early season contracting between farmers and processors could be very helpful in 1975, and long-term contacting between U.S. refiners and foreign suppliers could be very beneficial as well. Our traditional foreign sugar suppliers who have benefited from our sugar program in the past are also urged to continue providing sugar to our market.

Finally, I have directed the Economic Policy Board to monitor the sugar situation on a weekly basis and to report to me any signs of speculation or market activity in world and domestic markets that would worsen the tight supply situation we face this year.

The Administration recognized the inconveniences worked on the average American citizen by the current sugar situation. It will continue to do everything it can to improve matters and to remove some of the uncertainties for the future.

NOTE: For the text of Proclamation 4334, see the following item.

Sugar Imports

Proclamation 4334. Dated November 16, 1974. Released November 18, 1974

ESTABLISHMENT OF TARIFFS AND QUOTA ON CERTAIN SUGARS, SIRUPS AND MOLASSES

By the President of the United States of America a Proclamation

1. WHEREAS, pursuant to section 201(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)), on June 30, 1967, the President entered into a trade agreement consisting of the Geneva (1967) Protocol to the General Agreement on Tariffs and Trade, including a schedule of United States concessions annexed thereto (hereinafter referred to as "Schedule XX (Geneva—1967)", together with the Final Act Authenticating the Results of the 1964–67 Trade Conference Held under the Auspices of the Contracting Parties to the General Agreement, and, by Proclamation No. 3822 of December 16, 1967 (82 Stat. 1455) proclaimed such modifications of existing duties and other import restrictions of the United States and such continuance of existing customs or excise treatment of articles imported into the United States as were then found to be required or appropriate to carry out that agreement on and after January 1, 1968;

2. WHEREAS, among such modifications and continuances, was Note 1 of Unit A, Chapter 10, Part I of Schedule XX (Geneva—1967);

3. WHEREAS, Headnote 2, Subpart A, Part 10 of Schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202, hereinafter referred to as (TSUS)), which was added to the TSUS by Proclamation No. 3822 on the basis of said note 1 referred to in recital 2, provides in relevant part as follows:

> 2. The rates in column numbered 1 in items 155.20 and 155.30 on January 1, 1968, shall be effective only during such time as Title II of the Sugar Act of 1948 or substantially equivalent legislation is in effect in the United States . . . *Provided,*
>
> (i) That, if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of

domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, to be effective not later than the 90th day following the termination of the effectiveness of such legislation;

4. WHEREAS, Section 201(a)(2) of the Trade Expansion Act of 1962 authorizes the President to proclaim the modification or continuance of any existing duty or other import restriction or such additional import restrictions as he determines to be required or appropriate to carry out any trade agreement entered into under the authority of that Act;

5. AND WHEREAS it is determined that the rates and quota limitation hereinafter established are appropriate to carry out the portion of a trade agreement referred to in recitals 2 and 3, and give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade;

NOW, THEREFORE, I, GERALD R. FORD, President of the United States of America, acting under the authority vested in me by the Constitution and statutes, including Section 201(a)(2) of the Trade Expansion Act of 1962 and in conformity with Headnote 2 of Subpart A of Part 10 of Schedule 1 of the TSUS do hereby proclaim until otherwise superseded by law:

(1) Subpart A, Part 10, Schedule 1 of the TSUS is modified by adding thereto a new headnote as follows:

(3) The total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered in any calendar year shall not exceed, in the aggregate, 7,000,000 short tons, raw value. For the purposes of this headnote, the term *"raw value"* means the equivalent of such articles in terms of ordinary commercial raw sugar testing 96 degrees by the polariscope as determined in accordance with regulations issued by the Secretary of the Treasury. The principal grades and types of sugar shall be translated into terms of raw value in the following manner:

(i) For sugar described in item 155.20, by multiplying the number of pounds thereof by the greater of 0.93, or 1.07 less 0.0175 for each degree of polarization under 100 degrees (and fractions of a degree in proportion).

(ii) For sugar described in item 155.30, by multiplying the number of pounds of the total sugars thereof (the sum of the sucrose and reducing or invert sugars) by 1.07.

(iii) The Secretary of the Treasury shall establish methods for translating sugar into terms of raw value for any special grade or type of sugar for which he determines that the raw value cannot be measured adequately under the above provisions.

(2) The rate of duty in rate column numbered 1 for items 155.20 and 155.30 is established as follows:

155.20	0.6625¢ per lb. less 0.009375¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.428125¢ per lb.
155.30	Dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees

(3) The provisions of this proclamation shall become effective with respect to articles entered, or withdrawn from warehouse, for consumption on and after January 1, 1975, and shall remain in effect until the President otherwise proclaims or until otherwise superseded by law.

IN WITNESS WHEREOF, I have hereunto set my hand this sixteenth day of November, in the year of our Lord nineteen hundred seventy-four, and of the Independence of the United States of America the one hundred ninety-ninth.

GERALD R. FORD

[Filed with the Office of the Federal Register, 4:17 p.m., November 18, 1974]

NOTE: For a statement by the President on signing the proclamation, see the preceding item.

Energy Resources Council

Executive Order 11819. Dated November 16, 1974. Released November 18, 1974

MEMBERSHIP OF THE ENERGY RESOURCES COUNCIL

By virtue of the authority vested in me as President of the United States of America, by the Constitution and laws of the United States, particularly section 108 of the Energy Reorganization Act of 1974, section 2 of Executive Order No. 11814 of October 11, 1974, is hereby amended to read as follows:

"Sec. 2. The Council shall consist of the Secretary of the Interior, who shall be its Chairman, the Assistant to the President for Economic Affairs, the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, the Attorney General, the Secretary of Commerce, the Secretary of Transportation, the Chairman of the Atomic Energy Commission, the Director of the Office of Management and Budget, the Chairman of the Council of Economic Advisers, the Administrator of the Federal Energy Administration, the Administrator of the Energy Research and Development Administration (upon entry into office), the Administrator of the Environmental Pro-

Federal Energy Administration

Announcement of Intention To Nominate Michael F. Starr To Be Director of Intergovernmental, Regional and Special Programs. September 21, 1976

The President today announced his intention to nominate Michael F. Starr, of New Orleans, La., to be Director, Intergovernmental, Regional and Special Programs, Federal Energy Administration. He will succeed William W. Geimer, who became Deputy Assistant Secretary of State in April 1976. Mr. Starr has been Acting Director of Intergovernmental, Regional and Special Programs at FEA since July 1976.

Mr. Starr was born on October 4, 1940, in St. Paul, Minn. He received his B.A. degree from St. Francis College in 1962. He attended Georgetown University Law Center and received his LL.B. degree in 1965 and his LL.M. in 1966.

In May 1966, Mr. Starr became Assistant Staff Judge Advocate for the United States Air Force serving with the rank of captain. He was executive vice president and treasurer of the Starr Broadcasting Group, Inc., beginning in 1969 until joining FEA in July 1976.

Mr. Starr is married to the former Ellen Savage, and they have two children.

National Employ the Handicapped Week, 1976

Proclamation 4462. September 21, 1976

By the President of the United States of America a Proclamation

As we celebrate the two-hundredth anniversary of our national independence, physically and mentally handicapped Americans are seeking new opportunities to use their talents, abilities and experience. Assisting those of our citizens who are disabled are programs designed to provide equality of opportunity and equality of education. These programs place new emphasis on the needs of those with severe disabilities, and a new and growing consumer movement of and for handicapped persons.

Our forefathers promised independence and made that promise a reality. Disabled people now seek fulfillment of that promise for themselves. We are firm in our resolve to remove those barriers which still prevent handicapped citizens from making their full contribution to the Nation's economic and social health.

Next spring the White House Conference on Handicapped Individuals will serve to stimulate a national assessment of problems facing individuals with handicaps and to develop recommendations to solve those problems.

In order to enlist support for an interest in the employment of otherwise qualified but handicapped persons, the Congress, by joint resolution of August 11, 1945, as amended (36 U.S.C. 155), has called for the designation of the first week in October of each year as National Employ the Handicapped Week and has requested the President to issue a proclamation each year calling for its appropriate observance.

Now, THEREFORE, I, GERALD R. FORD, President of the United States of America, do hereby designate the week beginning October 3, 1976, as National Employ the Handicapped Week, and call upon the people of the United States to observe that week with ceremonies designed to elicit recognition and support for the needs, contributions, and aspirations of those citizens.

I urge the Nation's Governors, Mayors, and all other public officials, as well as leaders in every area of American life, to join with disabled people in active participation in these activities.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-first day of September, in the year of our Lord nineteen hundred seventy-six, and of the Independence of the United States of America the two hundred and first.

GERALD R. FORD

[Filed with the Office of the Federal Register, 12:34 p.m., September 21, 1976]

Modification of Tariffs on Certain Sugars, Sirups and Molasses

Proclamation 4463. September 21, 1976

By the President of the United States of America a Proclamation

1. By Proclamation 4334 of November 16, 1974, the President modified Subpart A, Part 10, Schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202, hereinafter referred to as the "TSUS") to establish, effective January 1, 1975, following expiration of the Sugar Act of 1948, a rate of duty and quota applicable to sugars, syrups, and molasses described in items 155.20 and 155.30 of the TSUS.

2. The President took the action described in recital 1 pursuant to the authority vested in him by the Constitution and statutes of the United States, including Section 201(a)(2) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)(2)) and in conformity with Headnote 2 of Subpart A of Part 10 of Schedule 1 of the TSUS, which was added to the TSUS by Proclamation No. 3822

A-121

of December 16, 1967 (82 Stat. 1455), to carry out a trade agreement concluded pursuant to Section 201(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1821 (a)) consisting of the 1967 Geneva Protocol to the General Agreement on Tariffs and Trade, including annexed thereto "Schedule XX", a schedule of United States trade concessions, together with the Final Act Authenticating the Results of the 1964–67 Trade Conference Held under the Auspices of the Contracting Parties to the General Agreement.

3. Headnote 2, Subpart A, Part 10 of Schedule 1 of the TSUS, which is based upon said trade agreement, provides in relevant part as follows:

"(i) That, if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, . . .

"(ii) That any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations; . . ."

4. Section 201(a)(2) of the Trade Expansion Act authorizes the President to proclaim the modification or continuance of any existing duty or other import restriction or such additional import restrictions as he determines to be required or appropriate to carry out any trade agreement entered into under the authority of that Act.

5. I find that the modifications hereinafter proclaimed of the rates of duty applicable to items 155.20 and 155.30 of the TSUS, as established by Proclamation 4334, are appropriate to carry out the portion of a trade agreement referred to in recitals 2 and 3, and give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade.

Now, Therefore, I, Gerald R. Ford, President of the United States of America, acting under the authority vested in me by the Constitution and statutes, including Section 201(a)(2) of the Trade Expansion Act of 1962 and in conformity with Headnote 2, Subpart A of Part 10 of Schedule 1 of the TSUS, do hereby proclaim until otherwise superseded by law:

A. That part of Proclamation 4334 of November 16, 1974, which establishes a rate of duty inconsistent with that provided for in paragraph B. below is hereby terminated.

B. The rates of duty in rate column numbered 1 for items 155.20 and 155.30 of Subpart A, Part 10, Schedule 1 of the TSUS, are modified, and the following rates are established:

155.20	1.9875¢ per lb. less 0.028125¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.284375¢ per lb.
155.30	Dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees.

C. The provisions of this proclamation shall become effective with respect to articles entered, or withdrawn from warehouse, for consumption on and after the date of this Proclamation and shall remain in effect until the President otherwise proclaims or until otherwise superseded by law.

In Witness Whereof, I have hereunto set my hand this twenty-first day of September, in the year of our Lord nineteen hundred seventy-six and of the Independence of the United States of America, the two hundred and first.

Gerald R. Ford

[Filed with the Office of the Federal Register, 3:39 p.m., September 21, 1976]

Modification of Tariffs on Certain Sugars, Sirups and Molasses

Statement by the President. September 21, 1976

Since July, the price of raw sugar has steadily declined and is now below the cost of production for most U.S. sugar producers. At current price levels many U.S. sugarbeet and sugarcane producers are unable to operate profitably. I have watched these developments with growing concern, mindful of the important contribution that our sugar industry makes to the national economy. Consequently, when prices plummeted in August, the interagency Task Force on Sugar Policy was reconstituted to update the supply, demand, and price outlook for the remainder of 1976 and to consider the policy implications of these projections. The Task Force has now completed its review and has reported to me its analysis of the problem and the policy options.

After reviewing the work of this Task Force, and determining the views of Members of Congress from the affected areas, I have decided to give my full support to the request of the Senate Finance Committee for an escape clause investigation by the U.S. International Trade Commission under Section 201 of the Trade Act of 1974. I fully agree with the Finance Committee that this matter requires a full and complete examination by the USITC. Further, because of the urgency of the problem for America's sugar producers, I am asking the USITC to expedite its review and to report its findings as soon as possible.

In addition, in view of the depressed state of the sugar industry, I have decided, pending completion of the USITC investigation, to raise the duty on imported sugar from .625 cents per pound to 1.875 cents per pound effective immediately. Increased custom duties will offer domestic producers some protection from imports while the USITC investigation is underway. I emphasize that this is an interim measure which I will review following receipt of the findings of the USITC and that I am not prejudging the eventual findings and recommendations of the USITC with respect to the question of injury or possible remedial measures.

Modification of Tariffs on Certain Sugars, Sirups and Molasses

Text of the President's Letter to the Chairman of the United States International Trade Commission Requesting a Report on the Import of Sugar. September 21, 1976

Dear Mr. Chairman:

It is my understanding that the Senate Finance Committee, acting pursuant to Section 201(b)(1) of the Trade Act of 1974, has requested that the U.S. International Trade Commission begin an investigation under Section 201 of the Trade Act to determine whether United States sugar producers are being harmed or threatened with harm by imports of sugar. I urge the Commission to promptly make such an investigation in view of recent trends in the sugar industry.

As a separate action, within the limits of my authority to establish appropriate rates of duty for sugar provided for in TSUS items 155.20 and 155.30, I have proclaimed a rate of duty applicable to such sugar imports of approximately 1.9 cents per pound. This action is not intended to prejudge the results of the Commission's investigation.

I request that the Commission expedite its investigation and submit its report to me as quickly as possible.

Sincerely,

GERALD R. FORD

[The Honorable Will E. Leonard, Jr., Chairman, U.S. International Trade Commission, Washington, D.C. 20436]

Report on the Status of Indochina Refugees

The President's Letter to Six Senate and House Committee Chairmen Transmitting the Report. September 21, 1976

Dear Mr. Chairman:

In accordance with the provisions of the Indochina Migration and Refugee Assistance Act of 1975, I am reporting to you on the status of refugees from Cambodia and South Vietnam.

We have made and continue to make remarkable progress in the resettlement and assimilation of the Indochina refugee into American life. This progress has been made possible through the efforts of many private individuals and through the cooperative efforts of public and private institutions. Many refugees have made the transition into American life. Others require financial, medical or educational assistance. As my report to you shows, that assistance is adequately being provided through several federally assisted programs.

Vast strides have been made by these newcomers to our country. I am confident that in the near future, they will achieve full citizenship and contribute greatly to our society.

Sincerely,

GERALD R. FORD

NOTE: This is the text of identical letters addressed to the Honorable James O. Eastland, chairman, Senate Committee on the Judiciary; the Honorable Peter W. Rodino, chairman, House Committee on the Judiciary; the Honorable John J. Sparkman, chairman, Senate Committee on Foreign Relations; the Honorable Thomas E. Morgan, chairman, House Committee on International Relations; the Honorable John L. McClellan, chairman, Senate Committee on Appropriations; and the Honorable George H. Mahon, chairman, House Committee on Appropriations.

The report is entitled "HEW Task Force for Indochina Refugees, Report to the Congress, September 20, 1976."

The text of the letter was made available by the White House Press Office. It was not issued in the form of a White House press release.

Visit of President William R. Tolbert, Jr., of the Republic of Liberia

Exchange of Toasts Between President Ford and President Tolbert at a Dinner Honoring President Tolbert. September 21, 1976

PRESIDENT FORD. *President Tolbert and Mrs. Tolbert:*

Mrs. Ford and all of our guests welcome you to the United States and to the White House on this occasion.

Your visit, Mr. President, is a particularly gratifying occasion because of our very special relationship with Liberia and the fact that this is the first African state visit of our third century of independence for the United States.

President Monroe presided in this very building at the time when blacks from this country created Liberia and named your capital city, Monrovia, after President Monroe. The founding of Liberia is a tribute to the conscience of mankind.

A-123

In summary, during the past sixty days we have increased our efforts to bring the two sides together once more for discussions in any area which might contribute to a more secure and normal life for the people of Cyprus. We have reaffirmed our determination to continue direct bilateral assistance on a large scale. We have worked with other members of the international community to bring about the best possible set of conditions for resumption of the Cyprus talks at an early date.

My Administration will further intensify its efforts to bring both sides together again with the hope, based on their meetings in New York last month, that some further significant advances may occur

The people of the United States remain keenly interested in promoting an equitable and lasting settlement on Cyprus. My Administration has been active at every opportunity in encouraging such a settlement. We believe the people of both the Greek Cypriot and Turkish Cypriot communities share equally a desire for peaceful, productive and secure lives. We will continue to use every opportunity further to encourage the leaders of both sides toward a common solution which will achieve these goals.

GERALD R. FORD

The White House,
October 4, 1976.

Tariffs on Certain Sugars, Sirups and Molasses

Proclamation 4466. Dated October 4, 1976. Released October 5, 1976

MODIFICATION OF PROCLAMATION NO. 4463 REGARDING TARIFFS ON CERTAIN SUGARS, SIRUPS AND MOLASSES

By the President of the United States of America a Proclamation

By Proclamation No. 4463 of September 21, 1976, the President modified Proclamation No. 4334 of November 16, 1974, by establishing new rates of duty applicable to certain sugars, sirups, and molasses described in item numbers 155.20 and 155.30 of the Tariff Schedules of the United States, hereinafter referred to as the "TSUS" (19 U.S.C. 1202). Proclamation No. 4463 is effective with respect to articles entered, or withdrawn from warehouse, for consumption on or after September 21, 1976.

Taking into account the factors cited in Proclamation No. 4463, and in order to alleviate hardships which may result from increasing the rate of duty with respect to certain goods that were exported prior to the effective date of that Proclamation, I find it appropriate to amend Proclamation No. 4463 to permit articles that were exported to the United States before the effective date of that Proclamation and that are entered, or withdrawn from warehouse, for consumption within a reasonable time following exportation, to continue to be dutiable at the rates provided in Proclamation No. 4334 of November 16, 1974.

Now, THEREFORE, I, GERALD R. FORD, President of the United States of America, by virtue of the authority vested in me by the Constitution and statutes of the United States of America, including Section 201(a)(2) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)(2)), and in conformity with Headnote 2, Subpart A of Part 10 of Schedule 1 of the TSUS, do hereby proclaim that paragraph C of Proclamation No. 4463 of September 21, 1976, is hereby amended to read as follows:

"C. The Provisions of this Proclamation shall become effective with respect to articles entered, or withdrawn from warehouse, for consumption on and after September 21, 1976, and shall remain in effect until the President otherwise proclaims or until otherwise superseded by law. However, the provisions of this Proclamation shall not be effective with respect to articles exported to the United States before 12:01 A.M. (U.S. Eastern Daylight Savings Time), September 21, 1976, provided that such articles are entered, or withdrawn from warehouse, for consumption on or before November 8, 1976."

IN WITNESS WHEREOF, I have hereunto set my hand this fourth day of October in the year of our Lord nineteen hundred seventy-six, and of the Independence of the United States of America the two hundred and first.

GERALD R. FORD

[Filed with the Office of the Federal Register, 11:47 a.m., October 5, 1976]

NOTE: The text of the proclamation was released in San Francisco, Calif.

Committee for Purchase From the Blind and Other Severely Handicapped

Announcement of Appointment of Four Members of the Committee. October 5, 1976

The President today announced the appointment of four persons as members of the Committee for Purchase from the Blind and Other Severely Handicapped. They are:

EARL T. O'LOUGHLIN, brigadier general, USAF, Deputy Director of Maintenance, Engineering and Supply, Deputy Chief of Staff for Systems and Logistics, Headquarters, United States don't have any complaints about it. I think you've been fair.

Thank you, again.

NOTE: The interview began at 1:03 p.m. in the Cabinet Room at the White House.

The transcript of the interview was released on November 12.

Sugar, Sirups, and Molasses Imports

Proclamation 4538. November 11, 1977

Import Fees on Sugar, Sirups, and Molasses

By the President of the United States of America

A Proclamation

1. The Secretary of Agriculture has advised me that he has reason to believe that certain sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or to materially interfere with, the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from domestic sugar beets and sugar cane.

2. I agree that there is reason for such belief by the Secretary of Agriculture. Therefore, I am requesting the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible.

3. The Secretary of Agriculture has also determined and reported to me, with regard to such sugars, sirups, and molasses, that a condition exists which requires emergency treatment, and that the import fees hereinafter proclaimed should be imposed without awaiting the report and recommendations of the United States International Trade Commission.

4. I find and declare that the imposition of import fees hereinafter proclaimed, without awaiting the recommendations of the United States International Trade Commission with respect to such action, is necessary in order that the entry, or withdrawal from warehouse, for consumption of certain sugars, sirups, and molasses, described below by value, use and physical description, and classified under TSUS items 155.20 and 155.30, will not render or tend to render ineffective, or materially interfere with, the price support operations now being conducted by the Department of Agriculture for sugar cane or sugar beets, or reduce substantially the amount of any product processed in the United States from domestic sugar beets or sugar cane.

Now, Therefore, I, Jimmy Carter, President of the United States of America, acting under the authority vested in me by the Constitution and Statutes of the United States of America, including section 22 of the Agricultural Adjustment Act, as amended, do hereby proclaim that Part 3 of the Appendix to the TSUS is amended as follows:

(a) A new headnote is added which reads as follows:

4. Sugar, sirups, and molasses

Licenses may be issued by the Secretary of Agriculture or his designee authorizing the entry of articles exempt from the fees provided for in items 956.10, 956.20, 957.10 and 957.20

of this part on the condition that such articles will be used only for the production (other than by distillation) of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human food consumption. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines are necessary to insure the use of such articles only for such purposes.

(b) The following new items, in numerical sequence, are added following items 955.06:

Item	*Articles*	*Import Fees*
	"Sugars, sirups, and molasses, derived from sugar cane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4:	
	Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:	
956.10	Valued at not more than 6.67 cents per pound	50% ad. val.
956.20	Valued at more than 6.67 cents per pound but not more than 10.0 cents per pound	3.32 cents per lb. less the amount per lb. by which the value exceeds 6.67 cents per lb.
	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1:	
957.10	Valued at not more than 6.67 cents per pound of total sugars	50% ad. val.
957.20	Valued at more than 6.67 cents per pound of total sugars but not more than 10.0 cents per pound of total sugars	3.32 cents per lb. of total sugars less the amount per lb. of total sugars by which the value exceeds 6.67 cents per lb. of total sugars."

The fees established by items 956.10, 956.20, 957.10 and 957.20 shall apply to articles entered, or withdrawn from warehouse, for consumption on or after the date of this Proclamation, and shall continue to apply to such articles pending the report and recommendations of the United States International Trade Commission and action that I may take on them. However, such fees shall not apply to articles (a) exported to the United States before 12:01 A.M. (U.S. Eastern Standard Time) on the date of this Proclamation or (b) imported to fulfill forward contracts entered into before 12:01 A.M. (U.S. Eastern Standard Time) on the date of this Proclamation, *Provided,* That articles referred to in (a) and (b) are entered, or withdrawn from warehouse, for consumption on or before January 1, 1978.

IN WITNESS WHEREOF, I have hereunto set my hand this eleventh day of November, in the year of our Lord nineteen hundred and seventy-seven, and of the Independence of the United States of America the two hundred and second.

JIMMY CARTER

[Filed with the Office of the Federal Register, 10:49 a.m., November 14, 1977]

NOTE: The text of the Executive order was released on November 12.

Sugar, Sirups, and Molasses Imports

Proclamation 4539. November 11, 1977

MODIFICATION OF TARIFFS ON CERTAIN SUGARS, SIRUPS, AND MOLASSES

By the President of the United States of America

A Proclamation

1. By Proclamation 4334, of November 16, 1974, the President modified Subpart A, Part 10, Schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202, hereinafter referred to as the "TSUS") to establish, effective January 1, 1975, following expiration of the Sugar Act of 1948, a rate of duty and quota applicable to sugars, sirups and molasses described in items 155.20 and 155.30 of the TSUS. By Proclamation 4463 of September 21, 1976, as amended by Proclamation 4466, of October 4, 1976, the President modified the rate of duty applicable to such sugars, sirups and molasses.

2. The President took these actions pursuant to authority vested in him by the Constitution and statutes of the United States, including section 201(a)(2) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)(2)), and in conformity with Headnote 2 of Subpart A of Part 10 of Schedule 1 of the TSUS, hereinafter referred to as the "Headnote". The Headnote was part of a trade agreement that embodied the results of the "Kennedy Round" of international trade negotiations. That agreement is known formally as the 1967 Geneva Protocol to the General Agreement on Tariffs and Trade, and the agreement includes, as an Annex, "Schedule XX", a schedule of United States trade concessions made during those negotiations. This agreement was concluded pursuant to section 201(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)), and was implemented by Proclamation No. 3822, of December 16, 1967, (82 Stat. 1455) which, *inter alia,* added the Headnote to the TSUS.

3. The Headnote provides, in relevant part, as follows:

"(i) . . . if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, . . .

"(ii) . . . any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations; . . ."

4. Section 201(a)(2) of the Trade Expansion Act authorizes the President to proclaim the modification or continuance of any existing duty or other import restrictions, or such additional import restrictions as he determines to be required or appropriate to carry out any trade agreement entered into under the authority of that Act, except that pursuant to section 201(b)(2) of the Act, the President may not by proclamation increase a rate of duty to a rate more than 50% above the rate existing on July 1, 1934. The currently applicable tariff rates in rate column numbered 2 for sugars, sirups, and molasses, described in items 155.20 and 155.30, are treated as the rates "existing on July 1, 1934", for the purposes of the President's proclaiming authority.

5. General headnote 4(b) of the TSUS provides that a rate of duty proclaimed pursuant to a concession granted in a trade agreement shall be reflected in the column numbered 1 of the TSUS and, if higher than the then existing rate in column numbered 2, shall also be reflected in the latter column.

6. I find that the modifications hereinafter proclaimed of the rates of duty applicable to items 155.20 and 155.30 of the TSUS are appropriate to carry out that portion of the Kennedy Round trade agreement set forth in the Headnote, and as provided for therein, give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade.

Now, Therefore, I, Jimmy Carter, President of the United States of America, acting under the authority vested in me by the Constitution and statutes, including section 201 of the Trade Expansion Act of 1962, and pursuant to General Headnote 4(b), and Headnote 2, Subpart A of Part 10 of Schedule 1, of the TSUS, do hereby proclaim until otherwise superseded by law:

A. The rates of duty in rate columns numbered 1 and 2 for items 155.20 and 155.30 of Subpart A, Part 10, Schedule 1 of the TSUS, are modified, and the following rates are established:

155.20______2.98125¢ per lb. less 0.0421875¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625¢ per lb.

155.30______dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees.

B. Those parts of Proclamation 4334 of November 16, 1974, Proclamation 4463 of September 21, 1976, and Proclamation 4466 of October 4, 1976, which are inconsistent with the provisions of paragraph (A) above are hereby terminated.

C. The provisions of this Proclamation shall apply to articles entered, or withdrawn from warehouse, for consumption on and after the date of this Proclamation. However, the provisions of this Proclamation shall not apply to articles (a) exported to the United States before 12:01 A.M. (U.S. Eastern Standard Time), on the date of this Proclamation, or (b) imported to fulfill forward contracts entered into before 12:01 A.M. (U.S. Eastern Standard Time), on the date of this Proclamation, *Provided,* that articles referred to in (a) and (b) above are entered, or withdrawn from warehouse, for consumption on or before January 1, 1978.

IN WITNESS WHEREOF, I have hereunto set my hand this eleventh day of November, in the year of our Lord nineteen hundred and seventy seven and of the Independence of the United States of America, the two hundred and second.

JIMMY CARTER

[Filed with the Office of the Federal Register, 11:01 a.m., November 14, 1977]

NOTE: The text of the Executive order was released on November 12.

Full Employment and Balanced Growth Bill

Statement by the President. November 14, 1977

In recent months, members of my administration have met on a number of occasions with Senator Humphrey, Congressman Hawkins, and their representatives to discuss the full employment and balanced growth act. I am very pleased that these discussions have reached a fruitful conclusion. The care and time devoted to the discussions were justified by the seriousness of the issues and the need to develop legislation that will command broad support across our Nation and help us achieve our goal of full employment.

The amended full employment and balanced growth act that the administration is now endorsing would accomplish a number of important objectives. It will:

• Establish the commitment of the Federal Government to achieve full employment.

• Establish the commitment of the Federal Government, simultaneously, to achieve reasonable price stability.

• Establish a framework for economic policy decisions. The administration would transmit to the Congress its goals for employment, unemployment, production, and income over a 5-year period. The Congress would have the responsibility to consider these goals and to establish its own goals.

• Establish as the goal for 1983 an overall unemployment rate of 4 percent, with flexibility to modify that goal if necessity requires. This is an ambitious objective and one that may prove very difficult to achieve, but setting our sights high challenges us to do our best.

• Recognize that high unemployment must be fought with a variety of weapons, including special government efforts, but that primary emphasis should be placed on expanding job opportunities in the private sector.

• Recognize that the achievement of full employment and price stability must be sought through the use of monetary and fiscal policies, together with structural measures designed to improve the functioning of the Nation's labor and capital markets—not through government planning or control of private production, wages, and prices.

Title II of the bill sets out considerations to guide the President and the Congress in the event that new programs and appropriations are needed to fight unemployment. This feature of the bill does not authorize such programs, but commends them for use, if necessary, to implement the goals of the legislation.

Title III of the bill sets forth procedures for congressional consideration of the President's goals and policy recommendations. While the specific procedures are for the Congress to determine, it is important, in my judgment, that the Congress in its deliberations on Title III of the bill, establish procedures to integrate

Sugar, Sirups, and Molasses Imports

Statement on Signing Proclamation 4547. January 20, 1978

On the recommendation of Secretary of Agriculture Bob Bergland, and in consultation with other Federal agencies, I am announcing the following actions:

—Effective January 21, 1978, all imported sugar will be subject to fixed fees of 2.7 cents per pound for raw sugar and 3.22 cents per pound for refined sugar, not to exceed 50 percent of the value of imported sugar.

—Directions have been given to the International Trade Commission to expand its investigation in imported sugar to determine whether sugar-containing products are being or will be imported in quantities and under conditions that will result in national interference to the sugar price support operations being conducted by the Department of Agriculture. I have asked that their report be completed as soon as possible and be accompanied by specific recommendations for corrective actions.

My decisions today address critical problems that have arisen since the issuance of my November 11 proclamation:

—Our price objectives for imported sugar are protected. Our objective on imported refined sugar is 4.0 cents a pound above the imported raw sugar price objective, an amount equal to the refining loss and refining costs.

—Current and prospective market conditions indicate that had we continued the system of variable fees, imported refined sugar would not be subject to import fees, and there would be strong incentives to import sugar in refined, rather than raw form. Refined sugar has been entering the United States at an unprecedented rate.

—Because I have instructed the International Trade Commission to conduct an investigation and report to me their recommendations, the fixed fees that I have announced are being implemented in a temporary program under emergency authorities.

—The fixed fee system eases the administrative burden, reduces the potential for price manipulation, and is familiar to the trade.

—If I find, based on the new fixed fee system, that efforts continue to be made to take advantage of the system, I will not hesitate to take even more stringent actions. The dumping of imported sugar on our domestic market will not be tolerated.

Sugar, Sirups, and Molasses Imports

Proclamation 4547. January 20, 1978

IMPORT FEES ON SUGAR, SIRUPS, AND MOLASSES

By the President of the United States of America

A Proclamation

By Proclamation No. 4538 of November 11, 1977, I imposed import fees on certain sugars, sirups, and molasses. I also requested the United States International Trade Commission to make an immediate investigation with respect to this matter pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and to report its findings and recommendations to me as soon as possible.

The Secretary of Agriculture has since informed me that the fees established by Proclamation No. 4538 are insufficient.

He has again advised me that he has reason to believe that sugars, sirups, and molasses, derived from sugar cane or sugar beets, classified under items 155.20 and 155.30, of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), hereinafter referred to as "sugars", are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or to materially interfere with the price support operations now being conducted by the Department of Agriculture for sugar cane and sugar beets, or to reduce substantially the amount of any product being processed in the United States from such domestic sugar beets and sugar cane. The Secretary of Agriculture has reaffirmed his determination that the condition requires emergency treatment.

I agree there is reason for these beliefs and I find and declare that:

(a) Sugars, described below by use and physical description, are being imported, or are practically certain to be imported, into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar cane and sugar beets, or reduce substantially the amount of any product processed in the United States from domestic sugar beets or sugar cane;

(b) A condition exists which requires the immediate imposition of the import fees hereinafter set forth, without awaiting the report and recommendations of the United States International Trade Commission.

(c) The imposition of the import fees hereinafter proclaimed is necessary in order that the entry, or withdrawal from warehouse, for consumption of such sugars will not render or tend to render ineffective, or materially interfere with, the price support operations being conducted by the Department of Agriculture for sugar beets and sugar cane, or reduce substantially the amount of products processed in the United States from such domestic sugar beets or sugar cane.

Now, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and Statutes of the United States of America, including section 22 of the Agricultural Adjustment Act, as amended, do hereby proclaim that Part 3 of the Appendix to the TSUS is amended as follows:

1. Headnote 4 is amended to read as follows:

4. Sugar, sirups, and molasses

(a) Licenses may be issued by the Secretary of Agriculture or his designee authorizing the entry of articles exempt from the fees provided for in items 956.05, 956.15, and 957.15 of this part on the condition that such articles will be used only for the production (other than by distillation) of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human food consumption. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines are necessary to insure the use of such articles only for such purposes.

(b) "Not to be further refined or improved in quality" as used in item 956.05 means not to be further refined or improved in quality by being subjected substantially to the processes of (1) affination or defecation, (2) clarification, or (3) further purification by absorption or crystallization.

2. Items 956.10, 956.20, 957.10, and 957.20 are deleted.

3. The following new items, in numercial sequence, are added following item 955.06:

Item	Articles	Rates of Duty (Section 22 Fees)
	Sugars, sirups, and molasses, derived from sugar cane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4(a):	
	Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:	
956. 05.....	Not to be further refined or improved in quality..	3.22¢ per lb., but not in excess of 50% ad val.
956. 15.....	To be further refined or improved in quality.....	2.70¢ per lb., but not in excess of 50% ad val.
957. 15.....	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1........................	3.22¢ per lb. of total sugars, but not in excess of 50% ad val.

With the following exceptions, this proclamation applies to articles entered, or withdrawn from warehouse, for consumption after 12:01 a.m. (Eastern Standard Time) on the day following its issuance. One exception shall be for the sugars of Malawian origin which entered the United States before February 15, 1978, pursuant to contracts for delivery to the United States entered into before November 11, 1977. Further, if it is established to the satisfaction of the Commissioner of Customs that articles subject to proclamations 4538 and 4539 exported to the United States before November 11, 1977, or imported to fulfill forward contracts for delivery to the United States entered into before November 11, 1977, could have been, but were not, entered for consumption on or before January 1, 1978, as a result of the delay in transportation to a point within the limits of a Customs port of entry of the United States because of windstorm, fog, or similar stress of weather, the provisions of proclamations 4538 and 4539 shall not apply to the articles even though they are entered for consumption after January 1, 1978 nor shall the provisions of this proclamation be applicable to them. The proclamation shall continue to apply until I have acted on the Report of the United States International Trade Commission.

IN WITNESS WHEREOF, I have hereunto set my hand this twentieth day of January, in the year of our Lord nineteen hundred and seventy-eight, and of the Independence of the United States of America the two hundred and second.

JIMMY CARTER

[Filed with the Office of the Federal Register, 5:11 p.m., January 20, 1978]

Digest of Other White House Announcements

The following listing includes the President's daily schedule and other items of

APPENDIX B

EXCERPTS FROM THE TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1978)

G S P	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2

PART 10. - SUGAR; COCOA; CONFECTIONERY

Subpart A. - Sugars, Sirups, and Molasses

Subpart A headnotes:

1. The term "degree", as used in the "Rates of Duty" columns of this subpart, means sugar degree as determined by polariscopic test.

2. The rates in column numbered 1 in items 155.20 and 155.30 on January 1, 1968, shall be effective only during such time as title II of the Sugar Act of 1948 or substantially equivalent legislation is in effect in the United States, whether or not the quotas, or any of them, authorized by such legislation, are being applied or are suspended: Provided,

(i) That, if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, to be effective not later than the 90th day following the termination of the effectiveness of such legislation;

(ii) That any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations; and

(iii) That the January 1, 1968, rates shall resume full effectiveness, subject to the provisions of this headnote, if legislation substantially equivalent to title II of the Sugar Act of 1948 should subsequently become effective.

3. The total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered in any calendar year shall not exceed, in the aggregate, 7,000,000 short tons, raw value. For the purposes of this headnote, the term "raw value" means the equivalent of such articles in terms of ordinary commercial raw sugar testing 96 degrees by the polariscope as determined in accordance with regulations issued by the Secretary of the Treasury. The principal grades and types of sugar shall be translated into terms of raw value in the following manner:

(i) For sugar described in item 155.20, by multiplying the number of pounds thereof by the greater of 0.93, or 1.07 less 0.0175 for each degree of polarization under 100 degrees (and fractions of a degree in proportion).

(ii) For sugar described in item 155.30, by multiplying the number of pounds of the total sugars thereof (the sum of the sucrose and reducing or invert sugars) by 1.07.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1978)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS
Part 10. - Sugar; Cocoa; Confectionery

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
			(iii) The Secretary of the Treasury shall establish methods for translating sugar into terms of raw value for any special grade or type of sugar for which he determines that the raw value cannot be measured adequately under the above provisions.			
			Sugar beets and sugar cane:			
			In their natural state:			
	155.10	00	Sugar beets..................................	S. ton..	80¢ per short ton	80¢ per short ton
	155.12	00	Sugar cane..................................	S. ton..	$2.50 per short ton	$2.50 per short ton
	155.15	00	In other forms suitable for the commercial extraction of sugar..............................	Lb.total sugars	0.5¢ per lb. of total sugars	1.5¢ per lb. of total sugars
			Sugars, sirups, and molasses, derived from sugar cane or sugar beets:			
A*	155.20		Principally of crystalline structure or in dry amorphous form 1/.............................	....	2.98125¢ per lb. less 0.0421875¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625¢ per lb. 2/	2.98125¢ per lb. less 0.0421875¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625¢ per lb. 2/
		25	In any form suitable for immediate human consumption without further refining..........	Lb.		
		45	Other..	S. ton raw value.v Lb.		
	155.21		If products of Cuba..........................	....	0.53¢ per lb. less 0.0075¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.3425¢ per lb. (s)	
			Not principally of crystalline structure and not in dry amorphous form:			
A	155.30	00	Containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids 1/...............	Lb.total sugars	Dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees 2/	Dutiable on total sugars at the rate per lb. applicable under Item 155.20 to sugar testing 100 degrees 2/
	155.31		If products of Cuba.....................	....	Dutiable on total sugars at the rate per lb. applicable under Item 155.21 to sugar testing 100 degrees (s)	
A*	155.35	00	Other.......................................	Gal.....	2.9¢ per gal.	6.8¢ per gal.
	155.36		If products of Cuba.....................	....	2.1¢ per gal. (s)	

(s) = Suspended. See general headnote 3(b).

1/ Imports of cane and beet sugar are subject to absolute quotas (see headnote 3).

❷2/ Certain imports of sugars, sirups, and molasses, derived from sugar cane or sugar beets are subject to additional section 22 fees or licensing requirements. See items 956.05, 956.15, and 957.15, and headnote 4, in part 3, Appendix to Tariff Schedules.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
A	155.40	00	Sugars, sirups, molasses, and mixtures thereof; all the foregoing derived from sugar cane or sugar beets and containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to over 6% by weight of the total soluble solids, if imported for use other than (a) the commercial extraction of sugar, or (b) human consumption..........	Gal.v 1/ Lb.total sugars	0.012¢ per lb. of total sugars	0.03¢ per lb. of total sugars
	155.41		If product of Cuba................................	....	0.01¢ per lb. of total sugars (s)	
	155.50	00	Maple sugar..	Lb......	Free	6¢ per lb.
	155.55	00	Maple sirup..	Lb......	Free	4¢ per lb.
A	155.60	00	Dextrose...	Lb......	1.6¢ per lb.	2¢ per lb.
	155.65	00	Dextrose sirup...	Lb......	1.6¢ per lb.	2¢ per lb.
	155.70	00	Honey..	Lb......	1¢ per lb.	3¢ per lb.
A	155.75	00	Sugars, sirups, and molasses, described in this subpart, flavored; and sirups, flavored or unflavored, consisting of blends of any of the products described in this subpart.....................	Lb......	15% ad val.	20% ad val.
			Subpart B. - Cocoa			
			Subpart B headnote:			
			1. The term "chocolate", as used in this subpart, shall be limited to products (whether or not confectionery) consisting wholly of ground cocoa beans, with or without added fat, sweetening, milk, flavoring, or emulsifying agents.			
	156.10	00	Cocoa beans..	Lb......	Free	Free
			Chocolate:			
	156.20	00	Not sweetened....................................	Lb......	Free	3¢ per lb.
			Sweetened:			
A	156.25	00	In bars or blocks weighing 10 pounds or more each...................................	Lb......	0.4¢ per lb.	4¢ per lb.
A	156.30		In any other form............................	....	5% ad val.	40% ad val.
		20	For consumption at retail as candy or confection..............................	Lb.		
			Other:			
		45	Not containing butterfat or other milk solids.........................	Lb.		
			Other:			
		50	Containing over 5.5 percent by weight of butterfat (item 950.15)..................	Lb.		
		65	Containing not over 5.5 percent by weight of butterfat or containing other milk solids (item 950.16)...........	Lb.		

(s) = Suspended. See general headnote 3(b).

1/ Report gallons of dried molasses on basis of 6 pounds total sugars to one gallon.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
A*	156.35	00	Cocoa butter	Lb.	3% ad val.	25% ad val.
A*	156.40	00	Cocoa, not sweetened, and cocoa cake suitable for reduction to cocoa powder	Lb.	0.37¢ per lb.	3¢ per lb.
A*	156.45	00	Cocoa, sweetened	Lb.	5% ad val.	40% ad val.
A	156.47	00	Confectioners' coatings and other products (except confectionery) containing by weight not less than 6.8 percent non-fat solids of the cocoa bean nib and not less than 15 percent of vegetable fats other than cocoa butter	Lb.	2.5% ad val.	35% ad val.
			Cocoa cake not suitable for reduction to cocoa powder, and other residues from the processing of cocoa beans:			
	156.50	00	Cocoa bean shells	Lb.	Free	Free
	156.55	00	Other	Lb.	Free	10% ad val.

Subpart C. - Confectionery

Subpart C headnotes:

1. If chocolate, candy, cakes, glacé fruits or nuts, or other confections are mixed or packed together, they shall be treated as a tariff entirety subject to the highest rate of duty applicable to any product in the assortment.

2. The term "confectionery", as used in this subpart, covers confections or sweetmeats ready for consumption. This subpart does not cover all confectionery (see subpart B of this part, part 9 of schedule 1, and subpart B of part 15 of schedule 1 for other provisions covering confectionery).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
A	157.10		Candy, and other confectionery, not specially provided for		7% ad val.	40% ad val.
		20	Not containing cocoa or chocolate	Lb.		
		40	Containing cocoa or chocolate	Lb.		

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
			Subpart B. - Edible Preparations			
			Subpart B headnotes:			
			1. This subpart covers preparations fit for human consumption not provided for elsewhere in schedule 1.			
			2. The standard of proof of vinegar is 4 percent by weight of acetic acid.			
			3. The term "edible preparations" in items 182.90, 182.92, 182.93, 182.96 and 182.98 embraces only substances prepared and chiefly used as a human food or as an ingredient in such food, but such term does not include any substance provided for in schedule 4 (except part 2E thereof) or schedule 5 (except part 1K thereof).			
A	182.05	00	Antipasto	Lb.	5% ad val.	30% ad val.
			Balls, hash, pastes, puddings, and similar forms, all the foregoing of vegetables or of vegetables and meat, or fish (including shellfish), or both:			
2 A*	182.10	00	Corned beef hash	Lb.	10% ad val.	35% ad val.
A	182.11	00	Other	X.	17% ad val.	35% ad val.
A	182.15	00	Bean cake, bean stick, miso, and similar products	Lb.	14% ad val.	35% ad val.
A	182.20	00	Biscuits, cake, cakes, wafers, and similar baked products, and puddings, all the foregoing by whatever name known, and whether or not containing chocolate, fruit, nuts, or confectionery	Lb.	3% ad val.	30% ad val.
	182.25		Bread made with the use of yeast as the leavening substance		Free	Free
		20	Hard crisp rye bread	Lb.		
		50	Other bread in loaf or roll form	Lb.		
		60	Other	Lb.		
A	182.30	00	Cereal breakfast foods and similar cereal preparations, by whatever name known, processed further than milling	Lb.	2.5% ad val.	20% ad val.
A	182.32	00	Chewing gum	Lb.	5% ad val.	20% ad val.
			Macaroni, noodles, vermicelli, and similar alimentary pastes:			
A	182.35	00	Not containing egg or egg products	Lb.	0.5¢ per lb.	2¢ per lb.
A	182.36	00	Containing egg or egg products	Lb.	0.7¢ per lb.	3¢ per lb.
A	182.40	00	Non-alcoholic preparations of yeast extract (other than sauces) for flavoring or seasoning food	Lb.	5% ad val.	20% ad val.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1978)

GSP	Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
			Sauces:			
A	182.45	00	Thin soy	Lb.	6% ad val.	35% ad val.
A	182.46	00	Other	Lb.	7.5% ad val.	35% ad val.
	182.48	00	Seaweeds and other marine plants prepared for use as human food or as an ingredient in such food	Lb.	Free	Free
			Soups, soup rolls, soup tablets or cubes, and other soup preparations:			
	182.50	00	Containing oysters or oyster juice	Lb.	3¢ per lb. (including wt. of immediate container)	8¢ per lb. (including wt. of immediate container)
A	182.52	00	Other	Lb.	7% ad val.	35% ad val.
			Vinegar:			
	182.55	00	Malt	Pf. gal.	Free	8¢ per proof gal.
A	182.58	00	Other	Pf. gal.	3¢ per proof gal.	8¢ per proof gal.
	182.70	00	Wild rice, crude or processed	Lb.	2.5% ad val.	10% ad val.
			Edible preparations not specially provided for (including prepared meals individually packaged):			
2 A*	182.90	00	Of gelatin	X.	6% ad val.	25% ad val.
			Other:			
	182.92	00	Containing over 5.5 percent by weight of butterfat and not packaged for retail sale 1/	Lb.	20% ad val.	20% ad val.
	182.93		If products of Cuba		16% ad val. (s)	
			Other:			
A	182.96	00	Wheat gluten	Lb.	10% ad val.	20% ad val.
	182.98		Other 2/		10% ad val.	20% ad val.
		30	Provided for in item 950.16	Lb.		
		50	Provided for in item 950.22	Lb.		
		60	Provided for in item 950.23	Lb.		
		70	Pancake flour and other flour mixes; refrigerated (including frozen) doughs	Lb.		
		90	Other	Lb.		

(s) = Suspended. See general headnote 3(b).

1/ Imports of certain articles are subject to additional import restrictions. See items 950.22 and 950.23 in part 3, Appendix to Tariff Schedules.
2/ Imports of certain dry milk mixtures are subject to additional import restrictions. See item 950.19 in part 3, Appendix to Tariff Schedules.

Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).

Item	Stat. Suf-fix	Articles	Units of Quantity	Quota Quantity

(viii) Notwithstanding any other provision of this part, 56,000,000 pounds of the articles described in item 950.05 and 22,600,000 pounds of the articles described in item 950.06 may be entered during the period beginning November 1, 1973, and ending December 31, 1973, in addition to the annual quota quantities specified for such articles under items 950.05 and 950.06, and import licenses shall not be required for entering such additional quantities. No individual, partnership, firm, corporation, association, or other legal entity (including its affiliates or subsidiaries) may during such period enter pursuant to this provision an aggregate quantity of such additional articles in excess of 2,500,000 pounds. The 56,000,000 pounds of the articles described in item 950.05 shall be allocated among supplying countries as follows:

Supplying Country	Quantity in Pounds
New Zealand...............................	28,560,000
Member States of the European Economic Community......................	24,640,000
Other Countries as follows: Argentina, Australia, Canada, Norway, Sweden, and Switzerland.........	2,800,000

(b) Cotton Waste.--For the purposes of item 955.05, the minimum quota in column (A) is that part of the total quota in column (C) which must be reserved for comber waste made from cotton 1-3/16 inches or more in staple length, and the unreserved quota in column (B) is that part of the total quota available for any quota-type waste, including comber waste made from cotton 1-3/16 inches or more in staple length.

(c) Suspension.--Notwithstanding any other provision of this part, the quantitative limitations for the articles provided for in item 950.60 are suspended beginning January 26, 1974.

❷4. Sugar, sirups, and molasses.--

(a) Licenses may be issued by the Secretary of Agriculture or his designee authorizing the entry of articles exempt from the fees provided for in items 956.05, 956.15, and 957.15 of this part on the condition that such articles will be used only for the production (other than by distillation) of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human food consumption. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines are necessary to insure the use of such articles only for such purposes.

(b) "Not to be further refined or improved in quality" as used in item 956.05 means not to be further refined or improved in quality by being subjected substantially to the processes of (1) affination or defecation, (2) clarification, or (3) further purification by absorption or crystallization.

Note: The shaded area indicates that the provision has expired.

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty (Section 22 fees)
		Sugars, sirups, and molasses, derived from sugar cane or sugar beets, except those entered pursuant to a license issued by the Secretary of Agriculture in accordance with headnote 4(a):		
		Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:		
956.05	1/	Not to be further refined or improved in quality....................................	1/	3.22¢ per lb., but not in excess of 50% ad val.
956.15	1/	To be further refined or improved in quality....................................	1/	2.70¢ per lb., but not in excess of 50% ad val.
957.15	1/	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1.....................	1/	3.22¢ per lb. of total sugars, but not in excess of 50% ad val.

1/ See Appendix statistical headnote 1.